

The genetics of nicotine





Closer than Switzerland Latvia's dream threatened by politics



Early days for the bear market

FINANCIAL TIMES

Europe backs law to set up elected works councils

Europe's Business Newspaper

All European Union member states except the UK agreed on a law to set up elected works councils in up to 1,500 large trans-European companies. The councils are intended to ensure that workers' representatives in companies employing more than 1,000 people are consulted and informed on cross-border business decisions that affect them. Page 18

France ready to send troops to Rwand: France said it could begin sending troops to Rwanda today after winning United Nations approval for the mission. Page 4

Nasdaq plans European market: Nasdaq, the US screen-based exchange which is the world's second-largest stock market by turnover, is holding talks with potential partners about creating a pan-European exchange for small and medium-sized companies. Page 19; Lex, Page 18

Metaligeselischaft, the heavily indebted German metals, mining and industrial group, has entered negotiations to sell its headquarters site in the centre of Frankfurt. The site could have a market value of DM750m (\$460m). Page 19

Imperial Chemical Industries, the UK bulk chemicals company demerged from the old ICI a year ago, has underlined its break with the past by appointing as its new chief executive, Charles Miller Smith, an accountant from the Anglo-Dutch consumer products group Unilever. Page 19; Lex, Page 18

Poster's, the Australian brewery group, is joining forces with Wheelock, the Hong Kong-based trading house, to make a push into the brewing business in China. Page 19



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Andrei Kozyrev (left), Russia's foreign minister, urged Nato not to risk provoking public opinion in his country by rushing to welcome east European countries as members of the alliance. The appeal was made esentatives of Nato's 16 member states gathered to honour Russia as the 21st, and most important,

for Peace, the military co-operation programme. Page 18; Russia on course, Page 3 Guinness scores at World Cup: Ireland's

success in the World Cup is cr for Guinness, the London-based brewer, which has seen stout sales skyrocket on both sides of the Atlantic, Page 18

Optimism over Korean summit: South Korean officials expressed optimism that an unprecedented summit meeting with North Korea would take place, after Pyongyang agreed to discuss arrangements. Page 4

Hata coalition starts talks: Japan's minority government of Tsutomu Hata started talks with the opposition Social Democratic party to save the ruling coalition from imminent defeat. Page 4 alian milk row threatens summit:

The row over the way Italy exceeds its European Union milk production quota threatens to disrupt the Corfu summit of EU leaders which begins tomorrow. Page 2 Samper denies drug link: Colombia's

president-elect, Ernesto Samper, vehemently denied accusations that his election campaign had benefited from contributions by the country's Cali cocaine cartel. Page 6 US Democrats attack religious right:

Democratic party organisers, searching for ways of heading off defeats in November's US congression nal elections, have embarked on a strategy of attacking the rival Republican party as a captive of radical, religious right wingers. Page 6

Rail strike hits France: A strike against job cuts badly disrupted French train services and fewer than half the trains were running in much of the country. Row over government role in UK rail strike, Page 10

Second shock defeat at Wimbledon: In another upset at Wimbledon, No. 2 seed Michael Stich was beaten by Bryan Shelton in straight sets. Stich, men's singles champion in 1991, joined fellow German Steffi Graf, the women's top seed. who was also beaten in the first round by an unseeded American.

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US currency steady Investors urged to concentrate on 'strong fundamentals'

Clinton defiant over dollar's fall

By Michael Prowse in Washington and Philip Coggan in

President Bill Clinton yesterday responded defiantly to downward respondent dentantly to downward pressure on the dollar in global financial markets, urging inves-tors to pay more attention to strong US economic fundamen-

"This is the first time in 30 years that we have had growth in the economy with no inflation led by investment that will create jobs," he said.

Mr Clinton's comments were reinforced by upbeat comments on the US economy by Mr Alan Greenspan, the Federal Reserve

chairman, and Mr Lloyd Bentsen, the US Treasury Secretary. Their concerted remarks followed overnight intervention by the Bank of Japan and combined to help the dollar and stock and bond mar-

But in Tokyo, Mr Hirobisa Fujii, Japan's finance minister warned that "rapid fluctuations" in exchange rates "would do harm not only to the Japanese economy but to the world economy". The Japanese government had called an emergency cabinet meeting to discuss the yen's renewed strength.

In London, the dollar closed at Y101.225 and DM1.6009, having briefly dipped below DM1.59 and

Anxious Japanese fearful of yen's strength -Page 6 Editorial Comment......Page 17

Y100 - a post-1945 low - earlier this week. In New York the dollar was trading at Y100.7 and DM1.602 in the early afternoon, while the Dow Jones industrial average was up 19.19 at 3,727.95, its first advance in three ses-

The benchmark US long bond was trading up # by early after-noon at 86%, pushing the yield

Samuel Brittan Page 17Page 4 Lex... Page 18 Bonds. -Pages 19 and 23 Currencies and world

Section II

down to 7.46. Mr Clinton gave no sign of wanting to change domestic policies in response to external financial pressures: "We'll just have to keep working on our fundamentals and know that in the end the markets will have to respond to the economic realities " he said

The US is in its fourth year of a steady economic expansion. The

unemployment rate has fallen to 6 per cent and the annual inflation rate is less than 3 per cent. Most countries are still struggling to emerge from recession.

Behind Mr Clinton's words is the confidence that the US economy is less vulnerable to damage from currency volatility than most countries because the share of trade in gross domestic product remains low.

Mr Clinton's claim that US economic achievements were being undervalued was echoed both by Mr Greenspan and Mr Bentsen. Mr Bentsen said he was "con-

cerned by recent movements in the exchange markets". The US and its Group of Seven partners

would "continue to be prepared to act as appropriate" - a veiled reference to possible concerted intervention by central banks in support of the dollar.

Speaking on Capitol Hill, Mr Greenspan said the economic outlook was "as bright as it has been

Mr Greenspan said many investors were too pessimistic about the outlook for US inflation. Long bond yields were "higher than they should be" because they embodied an excessive "inflation premium."

European bond and stock markets took some comfort from the

Continued on Page 18

Package aims to balance social justice and strong growth

South Africa imposes wealth tax in budget

By Patti Waldmeir and Michael Holman in Cape Town

South Africa's new government yesterday presented its first budget, a cautious document demonstrating a commitment to fiscal and financial discipline while attempting to meet the needs of

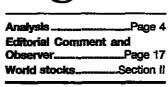
the poor. The budget was the first real test of the economic policy of the multi-party government of national unity which took power just six weeks ago. It was widely welcomed by investors, who approved of its restraint on

spending. Mr Derek Keys, finance minis-ter, who presented the budget to parliament in Cape Town, said his aim was to have "the best of both worlds" - "social justice and aggressive growth".

It was a difficult balancing act. achieved in part by imposing what amounts to a wealth tax to cover the costs of transition - in particular, the expense of integrating guerrilla armies into the South African Defence Force and of excess spending on April's all-

race elections. The one-off tax will primarily affect white taxpayers and white-owned companies and is levied at 5 per cent on annual incomes above R50,000 (\$13,700).

If white taxpayers received a shock, poorer blacks will be no better pleased. Excise on cigarettes was raised by 25 per cent and on some beers by as much as



The extra revenue will make it possible to reduce last year's budget deficit of 6.9 per cent of gross domestic product to 6.6 per cent in the year to March 1995.

Government spending will rise only marginally in real terms, in spite of R2.5bn spending on President Nelson Mandela's "recongramme, a plan to build houses and provide health care and education denied to blacks under

That spending will be funded

entirely from savings in other budgetary areas. Government spending on reconstruction is due to rise to R5on next year, R7.5bn the following year, R10bn and R12.5bn in subsequent years. Chief Mangosuthu Buthelezi, leader of the Inkatha Freedom Party and a cabinet member of the government of national unity, said the budget "could not have been better". Johannesburg financial markets closed little

Mr Keys defended the wealth tax, which is likely to be the most controversial measure of his budget: "We think that every income earner in this country can be profoundly grateful that our transition has gone so very



Keys on his way to partiement in Cape Town to present his budget. He said his aim was to have "the best of both worlds - social justice and aggressive growth". The budget was widely welcomed by investors. who approved of its restraint on

GE replaces top man at troubled Kidder Peabody

General Electric yesterday replaced Mr Michael Carpenter as chairman and chief executive of Kidder Peabody, its troubled securities subsidiary, in a move intended to shore up sagging confidence in the firm on Wall Street.

Mr Dennis Dammerman, GE's finance director, has taken over full-time management of Kidder. GE has also created the post of president and chief operating officer at the securities company for Mr Denis Nayden, an executive vice-president at GE Capital, the

group's financial services arm. In a further attempt to restore confidence in the firm, Mr Jack ich GE' unusual step of announcing that Kidder was likely to report a loss of \$25m-\$30m for the three months to June 30. The firm has been beset by reports that it had taken far bigger losses in recent weeks on mortgage-backed bonds, a market which it domi-

nates in the US. Mr Welch added that GE expected to report second-quarter earn-

ings of \$1.5bn The management shake-up at Kidder comes two months after Mr Welch expressed confidence

tom profits scheme which rocked the Wall Street firm. Kidder has claimed that the head of its government bond trading desk, Mr Joseph Jett, created fictitious profits of \$350m to boost his bonus, although Mr Jett has said that he acted under instruction from senior Kidder executives.

Mr Welch said vesterday's management changes were being made to demonstrate GE's continuing commitment to Kidder. The company came close to selling Kidder two years ago, and the recent troubles have led to speculation that it may try again to dispose of the business.

"Kidder's fundamentals are strong and we intend to provide resources are appropriate for the firm to realise its potential." Mr

British-born Mr Carpenter had also been appointed by Mr Welch to run Kidder after a troubled period at the firm. In 1989, when he was made chairman, the firm had been rocked by insider trading allegations and poor profitability after the 1987 crash.

GE called Mr Dammerman's involvement at Kidder "a transition role", and said he would return to his position as chief in Mr Carpenter and his manage- financial officer at the parent.

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AT&T to form alliance with European telecoms venture

By Andrew Adonis

AT&T. the largest US telecommunications operator, will today announce an alliance with Unisource, the joint venture between the Dutch, Swedish and Swiss national telecoms groups. The deal is the third and potentially most far-reaching of the alliances between US and European telecoms groups forged in

the last year. Unisource will become the European arm of Worldsource, AT&T's international venture launched last year to provide one-stop telecoms services for multinationals. AT&T has enlisted several Asia-Pacific operators for Worldsource, but until now lacked a European partner.

Last week the state telecoms operators of France and Germany signed a \$4.2bn alliance with Sprint, the third largest US

long-distance operator.

regulatory approval for its \$5.3bn alliance with MCI, the second largest US operator. All three alliances are geared

to providing one-stop telecoms services to multinationals, a mar-ket that is expected to grow rapidly with the opening of European services to competition. An industry source said: "Last week's Sprint deal forced AT&T to stop dithering. It believes it is

in danger of missing the European boat entirely." The alliance between AT&T and Unisource is expected to be far looser than the tie-ups between the other two US-European groups. Unlike MCI and Sprint, AT&T is far larger than its European partners, and the deal is not expected to involve any exchange of cash or equity. It may not be exclusive, although Unisource will agree to market AT&T-branded services

in Europe For AT&T, the deal follows a year of painful negotiations to find a European partner. Until

negotiating with Deutsche Tele-kom and France Telecom. But problems about the shape of such an alliance, and fears of regulatory barriers preventing a deal between three of the world's four

have scuppered the talks. Unisource has made a significant impact in the corporate market since it was established a year ago. Earlier this year it bid successfully in partnership with AT&T for potentially Europe's largest corporate telecoms contract: to provide facilities for more than 30 European multinational companies.

largest operators, are believed to

Telefónica, the semi-private Spanish national operator, is an associate member of Unisource. The industry source said: "The prospect of Telefónica coming in made Unisource far more attractive to AT&T. They couldn't find Holland or Switzerland on the

World stocks, Section II

LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

SPD loves Scharping when he's angry

By Quentin Peel and Judy Dempsey in Halle

Mr Rudolf Scharping, the embattled leader of Germany's opposition Social Democrats, lost his cool with his party comrades yesterday, and they

speech to the pre-election conference of the SPD, he demanded party disci-pline, denounced his detractors, and sought above all to galvanise the delegates out of a mood of mid-election

They responded with a resounding vote to back him as the party candidate to challenge Mr Helmut Kohl for the chancellor's office in next Octo-ber's general elections - with 479 votes out of 502 in his favour, or more

For a man who has made his name as super-cool and massively self-con-trolled, to the point of being dull and wooden, it was a remarkable performance. It was also an essential one for the party and its leader, to revive their hopes of defeating Mr Kohl in

The venue was the giant indoor ice rink on the outskirts of Halle in he heart of east Germany's once-thriving chemical industry in the state of Saxony-Anhalt. And on Sunday, the local electors vote in another critical poll for a state parliament, which the SPD must hope to win to recover

momentum in the current election the SPD should commit itself to a

Yesterday's conference came just 10 days after the party suffered a severe reverse in the European elections, losing five percentage points to score just 32 per cent - its worst result since direct European elections began in 1979. It also failed to break the dominance of Mr Kohl's Christian Democratic Union (CDU) in local council elections in four of the five eastern states, partly thanks to a resurgence in support for the Party of Democratic Socialism - the former East German communist party.

When Mr Scharping rose to speak yesterday, it was against a background of bitter recriminations in party ranks and widespread blame for his lacklustre leadership and failure to challenge Mr Kohl head-on for the

chancellorship.
"He is absolutely colourless, much too bland. No wonder the PDS are stealing our votes," said Mrs Edith Braun, mayor of Stendal in Saxony-Anhalt, before he started to speak. And yet he was preaching to the converted, for they were longing to

hear good news. this country," he said. "A party which believes in itself, in itself and its goals, can win the confidence of Germany, and a majority." That was

He flatly rejected any suggestion

future coalition with the Greens, as its left wing wants to do. "We are not for spelling out our alliances," he said. "We are involved in an election campaign, and every other party is our competitor. Anyone who suggests otherwise damages the chances of the SPD to win a majority."

He admitted he was accused of being too dry and emotionless, but he was capable of being angry, too. "Anyone who wants to defeat me wants to defeat the SPD. That is what is behind it," he said. The applause rolled in.

Then he turned on his main rival for the party leadership, Mr Gerhard Schröder, the prime minister of Lower Saxony. He flattered him for winning an absolute majority - of just one seat - in his state parliament. And then he warned him to toe the party

"I would be quite grateful if we could talk a little bit more directly to one another sometimes," he said, very

If there had ever been any doubt that there might be a backlash against his nomination as chancellorcandidate, it was gone. He safely won a five-minute stand-

ing ovation Mrs Braun was equally ecstatic. "It was a great surprise," she said in the queue for sausages outside.

"This was what we wanted to hear.



We are on our way." But if Mr Scharping has managed to

the state, according to last week's give his party an essential lift in its spirits, much still depends on the out-needs a clear win to launch his camcome of Sunday's state poil. The SPD paign for the chancellor's office.

Rome gives debt and inflation priority By David Gardner

By Robert Graham

Mr Lamberto Dini, Italian treasury minister, yesterday signalled a shift in economic policy of the new Berlusconi government, emphasising the battle against inflation and the need to tackle the budget deficit and Italy's debt.

His statement to the annual meeting of the Italian Bankers' Association was an attempt to win back the financial markets' confidence in the government's economic policy. It follows a Treasury statement, in a similar tone, on Monday and

pledges by Mr Dini last Friday to carry out a tough 1995 bud-

"The priority of Italian economic policy must be to deal with any risks that might arise from the recovery," Mr Dini said. The economy is expected to grow 2.5 per cent next year. The two fundamental guidelines were to "maintain a low rate of inflation and restore the health of public finances". The

finances, none of the macro-

economic objectives can be

former director-general of the Bank of Italy added: "Without restoring the health of public

in Luxemboura

The row over the way Italy exceeds its EU milk production quota threatens to disrupt the Corfu summit of EU leaders which begins tomorrow and jeopardise the agreement reached at the 1992 Edinburgh summit to increase the EU revenue base from next year.

After three days meeting in Luxembourg, agriculture min-isters of the 12 looked unable to resolve the milk contro-

"I can't see that it's going to be done except at Corfu," a European Commission official said. Ministers at the meeting

said Italy's delegation appeared to be under instructions from prime minister Silvio Berlusconi to stick to its guns. The ramifications of the conflict

After former Italian prime minister Giulio Andreotti startled his partners by forcing milk on to the Lisbon summit agenda two years ago, Rome agreed to cut its excess output in exchange for a quota increase tonnes. But in March, Brussels said Italy had not cut

Italy then produced new fig-ures saying its output had all along been overestimated.

The UK meanwhile had

European Court, because it had reduced the fine for excess output by Italy, and to a lesser extent Greece and Spain, from Ecu3.2hn to Ecu1.3hn (\$1.5hn). Mr Berlusconi wants the case dropped, and the new quota arrangements made retroactive to take account of the revised

fine, a move Germany opposes, saying it would cost its taxpay-But Italy says that unless it ts satisfaction, it will not ratify the Edinburgh agreement on revenue, necessary to

output figures. This would

wipe out a large part of the

increase flows of regional aid from next year. Senior officials from Gerny and the UK - to largest contributors to the EU budget – hint that a block on the increase would not make them especially unhappy. But it would be "a bit of a mess", as a British official understated it. The EU would be

The row could also affect ratification in other countries, notably the Netherlands, which is set to become the largest net contributor to the EU budget on a per capita

Officials in Brussels and at Luxembourg are speculating that Mr Berlusconi may have reached a deal with Chancellor Helmut Kohl at their recent

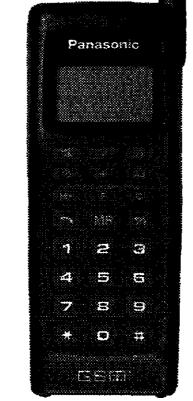
This would include milk. Italian backing for Belgian prime minister Jean-Luc Dehaene to succeed Mr Jacques Delors as Commission president, and German efforts to mobilise the EU behind an Italian candidate - former ero - to head the new World

Trade Organisation. That would still leave the British court case to be resolved. But senior EU diplomats note that the UK is anxious to cement an alliance with the more Eurosceptical Berlus-

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Ministers back flexibility over Europe state aid

A majority of EU industry ministers yesterday threw their weight behind a commission proposal to allow a flexible interpretation of state aid rules, in order to secure crucial capacity cuts in Europe's battered steel industry.

At a meeting in Luxembourg ministers were persuaded by Mr Karel Van Miert, competition commissioner, that this was the only way to resurrect the steel rescue plan, which now - after weeks of uncertainty -looks set to survive. Only the UK and Denmark

had reservations. They were worried that the commission would set a bad precedent by allowing state aid to be paid to steel mills in northern Italy in return for only partial closures of the enterprises. Under EU law, state aid is

not supposed to be used to fund partial closures, but

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because of complex cross-ownership links among the Brescia mills, not all companies linked to steelmaking will close under the terms of the rescue plan.

"I am not entirely happy with what the commission proposes to do," said Mr Tim Sainsbury, UK industry minister. "That part of the plan that does not involve closure of full enterprises is not justified. I have reservations about how effectively the closures can be monitored and whether or not they will result in real reduc-tions in capacity."

But Mr Van Miert said the commission intended to improve monitoring of the capacity cuts. It has agreed to take action against enterprises that do not meet the conditions for state aid payments, possi-bly by asking them to repay the aid. It also agreed to involve outside consultants in the monitoring process and said it would be particularly careful to ensure that debt accumulated by those parts of the steel enterprises that were not closing would not be offloaded onto those parts that

Mr Van Miert believes the reductions at Brescia will secure a further 5m tonnes of capacity cuts, taking total production reduction under the plan to around 16m, still short of the envisaged minimum capacity cuts of 19m tonnes. Although the commission did not need council assent on

the steel plan, which falls under the competence of the commission, it was eager to get the political support of the

CORRECTION MTV

In the Financial Times of June 3, it was reported that MTV Europe has an audience of 25m households. MTV estimates that its audience is over 60m EUROPEAN NEWS DIGEST

Hundreds of companies in Czech sell-off

The Czech Republic is to begin a big sell-off in the next two months of stakes in several hundred companies where the state remains a majority shareholder, Mr Roman Ceska, deputy privatisation minister and chairman of the National Property Fund, the state holding company, said yesterday. It is expected that up to a third of the Kc150hn (£3.5bn) worth of assets, involving mainly commercial and industrial companies in which the NPF retains a majority stake, will be offered for sale to domestic and foreign buyers by the end of this year. Some of the offers will be advertised internationally. Companies to be included in the sell-off include Chemicke Zavody Sokolov, one of the country's biggest chemical companies, in which the US company Dow Chemical attempted to buy a stake two years ago. The deal fell through after the two companies failed to agree a price, and the NPF has remained as the company's majority shareholder. Mr Ceska, who took over from Mr Tomas Jezek as NPF chairman 13 days ago, said the state intended to offer each stake in its entirety to a single buyer and sell to the highest bidder.

The move is likely to be the last big sell-off by the government. Its voucher privatisation system, in which an estimated 6m Czechs bought vouchers enabling them to bid for shares in two tranches of companies being privatised, has so far resulted in the partial or complete privatisation of nearly 2,000 Czech enterprises, representing over 30 per cent of the country's economic activity. Vincent Boland, Prague

Electrolux purchase approved

Electrolux, the world's leading household appliance maker, said yesterday it had received approval from the European Commission for its DM730m (£294.3m) acquisition of AEG Hausgeräte, the white goods arm of Germany's AEG industrial group. The takeover, which will now take effect from October 1, will bring Electrolux alongside Whitipool of the US in goodal will be a supplied to the US in goodal. white goods sales, extend its lead in total appliance sales and give the Swedish group a commanding position in Europe's white goods markets. Together, Electrolux and AEG Hausgerate have annual appliance sales of more than \$90n. Combined with AEG, Electrolux will have a white goods market share in western Europe of at least 25 per cent, against 15-19 per cent for Bosch-Siemens of Germany and 11-15 per cent for Whirlpool Europe. In Germany, the AEG deal will give Electrolux some 35 per cent of the local market.

The Commission issued its approval of the takeover after a one-month review. Electrolux said the Commission's main concern had been over its position in Scandinavian markets, where its share is now set to rise significantly above its share in other European markets. Although Finland, Norway and Sweden are not yet members of the European Union, they are covered by EU competition rules under the European Economic Area agreement. Hugh Carnegy, Stockholm

French rail workers strike

A strike by French rail workers against planned job cuts badly disrupted train services yesterday, and fewer than half the trains were running in many areas of the country, according to SNCF, the state railway company. The strike, which is due to last until this morning, forced the cancellation of most of the trains on the high-speed TGV network between Paris and the southeast, SNCF said. TGV traffic between Paris and the southwest was cut in half, while service to the north was normal. Commuter services into Paris were cut in half except disrupted. The communist-led CGT union called the 34-hour strike. Another drivers' union, the FGAAC, backed the strike to demand talks on working conditions on the Channel tunnel line. *Reuter. Paris*

Assembly to vote on Tapie

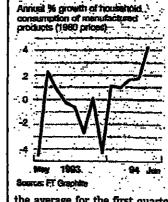
Mr Bernard Taple, the French entrepreneur turned politician, will on Tuesday face a National Assembly vote to decide whether to endorse yesterday's recommendation by a commit-tee to lift his parliamentary immunity. Mr Tapie, whose left-wing Energie Radicale movement won 12 per cent of the votes in this month's European elections, could then face two separate fraud charges concerning the purchase of the Phocéa, his luxury yacht. His immunity was previously lifted late last year so he could be examined in a fraud case concerning Testut, one of his old business interests. Mr Tapie's critics have accused him of becoming a Euro-MP to stave off further legal threats. A cartoon on the front page of today's Le Monde shows him monocycling across a tightrope stretched between the French and European parliaments. Alice Rousthorn, Poris

Ciller denies impropriety

Turkey's prime minister Mrs Tansu Ciller went on the record yesterday to deny allegations of official impropriety in her business dealings after newspaper claims that she had used her office to acquire property in the US. Mrs Ciller is under pressure to clear her name after a whispering campaign about her business dealings and those of her husband, who publicly gave up his licence as franchisee of the US fast food chain 7-Kleven when she became prime minister last year. Mrs Ciller told the official Anatolia news agency she had not declared the assets when she became an MP in 1991 because the properties were owned by Marsan, a Turkish-registered company in which she and her husband are shareholders. Moreover they were acquired before she became a minister. Milliyet, a Turkish newspaper cited documentation alleging the prime minister and Mr Ozer Ciller were the owners of a hotel, shopping centre and villa near Salem in Oregon, properties acquired since she was appointed to the cabinet in 1991. John Murray

ECONOMIC WATCH

French consumption down



French household consumption of manufactured goods fell 0.9 per cent in May, compared with April, but the trend for the current quarter is still upwards, the Economics Ministry said yesterday. The ministry said decline in household consumption reflected the sharp increase in spending in April. Household consumption in April grew by a revised 1.8 per cent. partly reflecting government incentives for car buyers. Economists in Paris said spending in May was still 0.6 per cent higher than March

and 1.1 per cent higher than the average for the first quarter. Even with flat consumption in June, they said second-quarter consumption should still show an increase of 1.5 per cent over the first three months.

John Ridding, Paris Dutch seasonally adjusted manufacturing production fell 2.0 per cent in April compared with March, but non-seasonally adjusted manufacturing production was up 1.9 per cent yearon-year, the Central Bureau of Statistics said.

■ Swedish gross domestic product rose by 0.1 per cent in the first quarter of 1994 from the fourth quarter of 1993 and by 1.4 per cent compared with the first quarter of 1993, the Central Bureau of Statistics said. Industrial production rose 2.1 per cent in April against March and 10.6 per cent year-on-year. Hungarian industrial producer prices rose 0.9 per cent in April from March and were up 9.7 per cent from April 1993, the Central Statistical Office said.

First-quarter growth figures confirm central bank's optimism over recovery

Spain faces recession aftershocks

By David White in Madrid

Spain's recession is now over but its consequences will be felt for a considerable time, the Bank of Spain said in its annual report published yesterday.

Its optimism about the turnaround

was confirmed by figures from the National Statistics Institute showing economic growth of 0.8 per cent in the first quarter against the same period last year. This was the first positive growth in year-on-year figures for Spanish GDP since the third quarter of 1992, and exceeded the central bank's earlier estimate of 0.5 per cent.

The figure compared with a 0.2 per cent decline in the last quarter of 1993 and a 1 per cent reduction for last year as a whole. It reflected a 19.1 per cent growth in exports in the quarter. mports also rose by 4.5 per cent, the first increase since 1992.

Internal demand continued to fall but at a reduced rate of 2.1 per cent compared with 3.3 per cent in the previous period. The fall in gross fixed capital formation, meanwhile, slowed to 5.8 per

The Bank of Spain report said recovery had begun to affect internal demand, which could soon show "mod-

erately positive" growth However, Spain faced "enormous difficulty" absorbing its high level of unemploy ment, now running at almost 25 per cent, and the effect that this would in turn have on the country's economic

growth potential. Prospects for sustained growth and economic convergence with the richer countries of the European Union were conditional on "more balanced macro-economic policies" and on greater success in reducing inflation and tackling the high public sector deficit, the bank said. The inflation differential between Spain and the three best-performing EU members remained at about three per

centage points.

Mr Luis Angel Rojo, Bank of Spain governor, said there was little room for further reductions in short-term interest rates, after a succession of cuts earlier this year. He said there would be "great cautiousness" about interest rate levels in Europe generally, and there would only be room for further cuts in Spain if they reduced inflation and the public deficit

"Any relaxation of monetary policy not justified by these factors would only help to increase the risk of an unbalanced recovery," he said.

Ukraine's economy not on poll agenda

But links with Russia are, writes Jill Barshay

krainian president Leonid Kravchuk appears to be defying the rule that incumbents stand little chance of re-election in a recession. Despite the record of his 30-month tenure - which has included a 40 per cent drop in gross domestic product over the first four months of this year alone - Mr Kravchuk is gaining in the opinion polls against his main challenger on Sunday, the former prime min-

ister, Mr Leonid Kuchma. Indeed, repairing the econ-omy, the main challenge facing Ukraine's next president – is barely on the campaign

Instead, campaigning has focused on the shape of a proposed new constitution, the status of the Russian language in a country with an 11mstrong ethnic Russian minority and the extent of alignment with Russia itself.

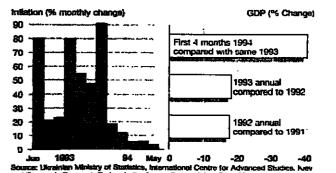
Though Ukraine's leaders succeeded in creating an inde-pendent state from the disintegration of the Soviet Union, they have failed to make it economically sustainable, leaving its statehood fragile and beholden to Russia.

Ukraine is kept afloat by a large Russian subsidy (\$1bn; \$2bn annually in unpaid oil and gas debts) while Kiev props up its energy-wasteful heavy industries and subsidises its state farms with money it does not have.

While the west has woken up belatedly to the fact that Ukraine's stability is important for Europe, Ukraine has yet to face up to the fundamental economic choice of whether to remain dependent on Russia or restructure its energy-intensive industries and diversify its markets.

Asked why no one is talking about economics, Mr Mykola Mikhailchenko, the president's chief domestic adviser, says: "The majority of Ukrainians are satisfied with the current path of reform." In fact economic dissatisfac-

tion is widespread, but Ukraine's main power brokers - the collective farm bosses, industrial directors and Soviet:



era bureaucrats – are more interested in maintaining their positions than reforming the economy.

tion - only 150 enterprises in the first wave of the sell-off programme - has also meant the lack of a class of independent owners with an interest in reform. Many private entrepreneurs have gone underground to form a black economy which probably equals the official economy because it is the only way to survive in Kiev's thicket of restrictions and high

The only presidential candidate running on an economic reform platform, Mr Volodymyr Lanoviy, is trailing with less than 10 per cent support in the opinion polls. Even Ukraine's nationalist west has abandoned him, unconvinced this "Ukrainian Gaidar" could beat their main foe, Mr Kuchma.

The two main contenders offer populist promises. Mr Kuchma, a Soviet-era missile plant manager who resigned as prime minister last September after a power struggle with the president, says he will resurrect Ukraine's economy by "reestablishing ties with Russia". But he does not say whether he means economic union. whereby part of Ukraine's sovereignty would be sacrificed to Russia, or freer trade, which would require Ukraine to lift subsidies and price controls as

Russia itself has done. The largely Russian-speaking has not addressed.

eastern Ukrainians, particularly communists and factory es, seek a return to pre independence relations where orders from Russian plants flowed in. They are strongly criticised by Mr Mikhailchenko for not understanding "that Russia is just not the same it was two years ago - you can't just recreate the old connections now"

President Kravchuk offers an even vaguer platform of simply developing Ukraine's sociallyoriented economy", but observers do not regard his record as encouraging. Only last week he called for the indexation of savings, a move which would cost Ukraine about \$22bn at current depressed exchange rate for the Ukrainian currency, the karbova

Last winter the government tightened monetary policy and managed to reduce inflation from 90 per cent monthly last December to only 5.2 per cent last month. But the political fallout from the credit squeeze was too much to bear and Kiev loosened the monetary screws in early spring. In April alone the money supply grew 60 per

With the desire to bail out ailing state enterprises winning out over the battle against inflation, most observers believe that the next president is likely to inherit a resurgence of inflation by the end of the summer and a host of other problems which the campaign

Yeltsin defied as deputies' militancy grows

By John Lloyd in Moscow

Russia's lower house of parliament yesterday failed to pass the 1994 budget at a third reading and came out strongly against President Boris Yeltsin's decree against crime as it "seriously limits the constitu-tional rights and liberties of

The votes, together with a swell of protest against proposals from Mr Vladimir Shumeiko, leader of the upper house and an ally of Mr Yeltsin, to prolong the terms of both the parliament and the president by two years without election, marks a sudden militancy in a body which has been relatively restrained in its six-month life.

The ground on which it is preparing to fight - that of the constitution - is similar to that on which Mr Yeltsin and the previous parliament divided and ultimately fought. The difference this time is that the constitution is Mr Yeltsin's cre-

The vote on the budget. which had been expected to go through after two lower house readings in which it gained large majorities, followed its rejection by the upper house earlier this week. The upper house had demanded an

increase in military spending in the budget from Rbs37.500bn to Rbs55,000bn, following sustained lobbying by the military

and military industry. A large majority of deputies voted for the budget but failed to secure the required 225 votes. Between 215 and 220 voted in favour, with 43 against and 60 abstaining.

There was overwhelming support - 246 against 6 - for a resolution calling on Mr Yeltsin to withdraw his decree announced last week "on urgent measures to protect the citizenry against banditry and organised crime". The size of the majority shows that oppo-sition to the unconstitutional nature of the decree has spread across ali parties.

Mr Viktor Ilyukhin, a leading member of the Communist faction, said it broke as many as eight articles of the constitution, while Mr Boris Fyodoroy, reformist leader of the Liberal Democratic Union, said that "until the government and president obey their own laws and its own constitution we will not have reform here".

The decree allows for a suspect to be held without charge for 30 days, against the 48-hour limit specified by the constitu-

Russia on course for EU free trade zone

By David Gardner in Luxembourg

The last obstacle to concluding a wide-ranging partnership agreement between Russia and the European Union, leading to a free trade zone by the end of the century, was remove yesterday when the Netherands endorsed the deal.

President Boris Yeltsin is to sign the accord tomorrow morning in Corfu, at the summit of EU heads of government. The KU reached a similar deal with the Ukraine in Luxembourg last week. The Dutch were unhappy

with Moscow's conditions for the five EU banks already operating in Russia when a cember 1993 decree restricting foreign banking activity came into force. Two Dutch banks were among the five. These banks and the Dutch government have now received

written confirmation from the

Russian central bank that under a subsequent decree, passed earlier this month, they are "authorised to carry on all operations mentioned in [their] licence", including with Nancy Dunne adds from Washington: Mr Al Gore, US

vice-president, vesterday predicted "multibillion dollar



Frederico Mayor (left), Unesco secretary-general, is greeted by ssian President Boris Yeltsin during a meeting yesterday in Moscow, where the UN agency is to open an office

contracts" for oil and gas exploration and in investment in sectors such as housing and transportation in Russia. There would be "new markets, new trade in both directions' between the US and Russia.

He was speaking in a televi-sion interview before a meeting with Mr Victor Chernomyrdin, Russian prime minister. The two head a commission, which meets this week in Washington, to press joint efforts on business, science, defence, energy and the environment.

A senior administration official said US investment in Russia could leap from its current \$1bn to \$40bn-\$50bn by the end of the decade if Russia developed a liberalised trade and investment regime. The official added there would be talks about proposals for a large oil exploration agreement involving Marathon Oil and McDermott, both of the

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he unthinkable sud-denly became thinkable

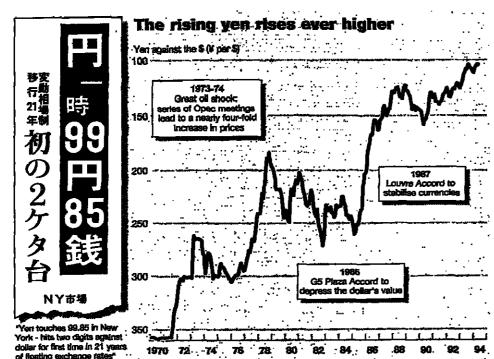
yesterday after the yen briefly voyaged, for the first time, through the psychologically emotive barrier of Y100 to the dollar.

This historic trlp into unknown territory has reawakened corporate Japan's fears that the unexpected strength of the currency might stifle the country's fragile economic recovery, just as an unsched-uled rise in the yen did this time last year.

An anxious Tokyo govern-ment yesterday said it would step up efforts to reach a trade agreement with the US, suspense over which has contributed to the yen's rise, and seek co-ordinated currency market intervention with other members of the Group of Seven. The ven hit a new closing high of Y100.65 to the dollar in Tokyo yesterday, 12.6 per cent above its level at the turn of

the year. "Rapid fluctuations would do harm not only to the Japanese economy but to the world econwarned Mr Hirohisa Pujii, finance minister, after an emergency cabinet meeting to discuss the yen's break through Y100 in New York the previous night. He would not comment on why, by yesterday evening, central banks had not jointly intervened, as they did last time the dollar fell sharply

against the yen, in May. There is a scream arising years. from Japanese industry,"
A satisfied Mr Tsutomu Tanadded Mr Eijiro Hata, minister aka, vice minister of the gov-



of international trade and industry. The rise could not have come at a worse time, in European and US markets after the Japanese government had gone to bed, celebrating the day's announcement of a 3.9 per cent annualised increase in gross domestic product in the first quarter, the best performance for three

ernment's economic planning agency, had at the time announced that - barring a yen shock - Japan had now turned the corner, from its 37month long economic slowdown, the longest post-war

The currency turmoil prompted the third consecutive daily fall in share prices yesterday, leaving the Nikkei 225

bought dollars heavily. But officials said there was no change in monetary policy, on the grounds that the yen's rise was more of a function of the dollar's weakness against the D-Mark, even if this could be negative for the economy".

Most Japanese companies based forecasts of a recovery this year from four years of profits decline on an exchange rate of about Y105 to the dollar. They may therefore have

to reduce their forecasts if the yen sticks at the present level. The impact, however, will be meven. Export dependent sectors, such as electronics lose 6.7 percentage points from annual pre-tax profits with each one yen rise of the Japanese currency against the dollar, estimates Nikko Research Institute. Car manufacturers lose 10 per cent of their profits for every yen rise, estimates

Miti's Mr Hata. Car importers, by contrast, have been achieving record sales recently - 8.6 per cent of the Japanese market in May thanks to the yen's strength.

Japanese consumers have seen prices of imported goods fall accordingly. Unsurpris-ingly, they find it hard to understand the routine cries of alarm from government and companies at every time the yen rises through a psychological barrier.

This invites the question of whether the Finance Ministry is right to be as worried as it is. The currency rise is not enough to choke the general economic recovery, as happeued last year, believes Mr Yusuke Kashiwagi, senior adviser to the Bank of Tokyo and former vice minister of finance for international

"I don't think this will hit recovery prospects. This recovery is consumer led and not export led, so the exchange rate will affect the minds of business rather than consumers," he said. However, he

admitted that the volatile jumps in the yen's value were getting "more and more unbearable" in casting uncertainty over Japan's economic performance.

Mr Jun Saito, senior economist at the government's Economic Planning Agency. more worried by the yen's appreciation, rather than learning to to live with exchange rate volatility: "They are having to make hard deci-sions on how to adjust."

So far, corporate Japan has avoided the toughest decisions. It has avoided making redundancies to reduce its high-yen inflated costs in line with International competitors, so that consumers have been partly insulated. However, companies have started to cut recruitment and have increased the pace at which they move production out of Japan to cheaper locations.

According to a recent survey by the Yomiuri Shimbun daily, 70 per cent of Japanese companies will recruit fewer new people this year. In the meantime, the proportion of overseas production will rise from 7 per cent of the total now to 12 per cent in the next two to three years, forecasts the Tokyo office of Morgan Stanley. The latest ven shock can only reinforce those trends, suggesting that Japan is unlikely in this decade to recover to the fast economic growth of the 1980s. The yen's strength makes for a

confirms fiscal caution

Mark Suzman and Tony Hawkins on new South Africa's spending plans

Africa's business community might have had that spending on righting the wrongs of apartheid would dent the new government's commitment to fiscal discipline proved unfounded yesterday when the finance minister, Mr Derek Keys, presented the Afri-can National Congress-led government's first budget to par-

Indeed, initial reaction in markets both at home and abroad was favourable, with business welcoming the budget's pro-investment thrust. At the same time, an ANC election promise to abolish VAT on basic foodstuffs and drugs was ditched because the fiscal implications would have been "significant". In the words of one economist, "it comes as a surprise to see an ANC government handing out goodies to the corporate sector

but not to the masses". Mr Keys managed to keep the projected budget deficit close to the 6 per cent of gross domestic product limit agreed with the International Monetary Fund.

He is forecasting a deficit of 6.6 per cent of GDP for the financial year March 1995 on 3 per cent growth, or 6.4 per cent when the full collection of a temporary income tax levy is taken into account. This compares with 6.9 per cent last year and, with some analysts arguing that the revenue forecasts are conservative, the actual deficit could well be

The deficit's still a little high, but the emphasis is on investment rather than consumption, which will help sustainable growth," notes Mr Nick Barnardt, economist at broker Ed Hern Rudolph,

Increases in social spending will be focused on the new government's Reconstruction and Development Programme which, as previously announced, will amount to R2.5bn (£458m) for the current financial year. Expected future allocations come to R37.5bn over five years, although this figure is subject to change. depending on future economic growth and political pressures. Ministers defended the decision not to abolish VAT on basic foods saying that targeted spending programmes such as free health care for infants and a school feeding scheme would do more to achieve poverty reduction than

tax cuts. Particularly striking was the size of the costs of the transition at nearly R4bn. This was largely due to greater than expected costs from the election and the incorporation of former guerrillas into the army. To help finance this, revenue will increase 11.2 per cent in the current year, thanks primarily to a R2.6bn transition levy on individuals and compa-

Individuals will pay a 5 per cent surcharge on that portion of their income in excess of R50,000 a year. Companies will pay a similar 5 per cent sur-

charge on their profits.

Mr Keys and his deputy Mr Alec Erwin stressed that the transition surcharge would be temporary and that the government would not seek excuses to maintain it into the next financial year as a "wealth

ny fears that South tax". Mr Keys's also Africa's business coman independent Tax Commis. sion to restructure the tax system.

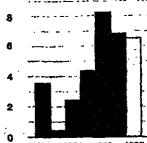
A cut to 35 per cent from 40 per cent in the corporate tax rate is partly compensated by the increase to 25 per cent from 15 per cent in the so-called secondary tax payable on dividends.

The net effect will be an increase of R2bn in direct taxes, partly offset by a RS00m reduction in the import surcharge on capital and intermediate goods. Mr Keys will also raise an extra R350m from increased "sin taxes" on alcohol and tobacco.

At 23.6 per cent of GDP, the tax take will be virtually the same as last year, reflecting an anticipated 3 per cent growth in output this year. Government spending at just more than 30 per cent of GDP, is forecast to be slightly lower than last year.

After taking account of loan repayments, Pretoria faces a borrowing requirement of R36.5bn (R33bn last year) almost all of which (R34.5bn) is to be funded from domestic borrowing, with R1.8bn raised offshore. Mr Keys said the breakdown between domestic

South Africa Budget deficit as a % of GDP



1991 1993 1995

and foreign borrowing would depend on market conditions and the outcome of South Africa's quest for an international credit rating, expected

by the end of the year. Social spending will absorb 45 per cent of the budget, up from 44 ner cent last year, with education accounting for 22 per cent, health 10.2 and social security 9.3 per cent. Within health, 25 per cent of the budget will now be diverted to primary health care, which has become a focus of President

Nelson Mandela's government. Also notable has been the increase in the defence budget which the ANC before the election had repeatedly identified as a sector from which much money could be diverted to development. However, this year's allocation, which has been swollen by transitional costs of incorporating former ANC guerrillas into the army, rose to R12.1bn from R10.6bn. The total share of defence has actually increased to 8.7 per cent of the budget from last year's 8.1 per cent, but remains well down from 13.7 per cent in 1990/91.

Mr Keys' announcement that there would be no change to the current exchange control regulations, despite widespread speculation in business circles that some liberalisation was imminent, did not affect the markets and the rand

Hata starts talks on coalition with Social Democrats

By William Dawkins in Tokyo

The minority government of Mr Tsutomu Hata, yesterday started talks with the opposition Social Democratic party to save the ruling coali-tion from imminent defeat.

Government officials will this morning meet the SDP for a second

parliamentary majority. This would ensure the failure of a no-confidence vote by the largest opposition group, the Liberal Democratic party, which could be launched as early as today. The markets will watch the talks closely because the latest bout of

political instability has been a factor

rejoin the coalition, so restoring its fuelled fears that the government will be unable to produce a convincing package of deregulation and tax election, because that would delay reform measures, due next week, so stoking US frustration and putting more pressure on the yen.

If the SDP refuses to join forces with Mr Hata, and sides with the LDP, the no-confidence vote will

and his cabinet to resign. Mr Hata has said that he would not call an completion of a new electoral system, but leave it to other parties to form a

SDP leaders yesterday indicated they are interested in rejoining Mr Hata's camp. The party has agreed, in probably succeed, forcing Mr Hata a document presented to the govern-

the most controversial part of the coalition's economic policy.

The SOP party also wants promises it will be more closely involved in decision making, a sensitive point because formation of a centre right grouping within the coalition, but excluding the SDP, prompted it to

UN agrees to French troop deployment in Rwanda

By Michael LittleJohns, UN and David Buchan in Paris

The United Nations Security Council last night agreed to independent deployment of French troops in Rwanda to protect civilian lives until a UN force is adequate for the

The council acted with some reluctance, even though the resolution does not mention France by name, speaking only of a temporary multinational

operation "under national com-mand and control". Ten of the 15 members voted for the plan.

But Mr Claude Dusaldi, UN start today Paris is mobilising representative of the Rwandan some 2,500 men by drawing on Patriotic Front, was uncon-1,500 troops stationed in Gabon with the [rebel] forces".

Cal and logistic support" of the tion with the [rebel] forces".

Wr Eduard Balladur, the prime 15 members voted for the plan. Brazil, China, New Zealand, Nigeria and Pakistan

France has said it expects one or more other European countries to join a mission that, according to the resolution, will be strictly humanitarian and "conducted in an impartial and neutral fashion". The troops will "not constitute an inter-position force"

between the warring parties.

Patriotic Front, was unconvinced. Shortly before the vote, he accused France of trying to block an insurgent victory in the civil war: "We shall resist French intervention with all the means at our disposal."

The rebels' opposition was a factor cited by members who abstained on the French pro-

In Paris, Mr François Léotard, defence minister, said "Operation Turquoise" could 1,500 troops stationed in Gabon and Djibouti and flying the rest out from France.

Mr Léotard said an advance party had landed in Goma in Zaire, near the northwestern border of Rwanda. Officials said French troops would seek to protect pockets of Tutsis in the western part of the country held by the mainly Hutu government forces.

He said he had given his troops "very precise instrucminister, told the National Assembly, France could count on the military participation of Senegal and hoped for at least logistic help from several Euro-He said he had been in con-

tact with Prime Minister Silvio Berlusconi of Italy, who has made Italian military participation conditional on agreement of both sides in the conflict. France also had "active politi-

to bring the UN force up to strength sooner than that. His strong backing for the French initiative was critical

to its success in the council. Members were also influenced by his warning that it could take up to three months for the projected 5,500-man all-African UN force to be fully deployed.

for two months. It could be less

if Mr Boutros Boutros-Ghali.

UN secretary general, manages

Pakistan chambers 'to strike'

By Farhan Bokhari

Pakistan's largest organisation of trade associations and business chambers last night threatened to strike from Sunday if the government does not existing net of a VAT-style general sales tax.

The government said it was extending GST to include up to 277 items in last week's budget. Businesses are opposing the measure on the grounds it would fuel corruption by giving extra powers to government inspectors to clamp down on various factories unless they were paid an illegal "gratification".

"This budget will ruin the economy. Its no good," said Mr. S.M. Muneer, chairman of the Federation of Pakistan Chambers of Commerce and Industry which represents 120 associa-tions and 30 business chambers, after the first round of discussions with government ministers and officials

"They (businesses) want to nay more taxes but not the GST because it will only give birth to corruption" Mr. Muneer added.

Mr Ahmed Mukhtar, commerce minister, said some of the objections from businesses were being considered by officials for possible changes, but the government would not consider any of the demands

"under pressure". Such confrontation between the government and business leaders is not unique in the days after the budget. In previous years too, businesses have resisted various budgetary measures, eventually forcing governments to back off or parily tone down some of their

proposals. However, it was not clear last night if the two sides could reach a compromise without one of them backing off on an important issue of interest.

Seoul officials optimistic over talks with North

By John Burton in Secul

South Korean officials vesterday expressed optimism that an unprecedented summit meeting with North Korea will take place, after Pyongyang agreed to discuss arrange-"The North Koreans' sincer-

ity seems higher than at any other time in the past," said Mr Han Sung-joo, South Korea's foreign minister. He described as "encourage ing" the North's quick approval of a proposal from Seoul to hold a preparatory

meeting for the summit on June 28, to be attended by each side's deputy prime minister. Previous attempts to arrange inter-Korean talks have been plagued by procedural dis-putes, but this does not appear to be case so far this time, Mr Han said.

North Korea suggested the summit last week when former US President Jimmy Carter visited Pyongyang in attempt to mediate in a dispute over international inspections of North Korean nuclear facili-

Officials in Seoul believe the

as mid-July and coincide with a new round of high-level talks between North Korea and the US to discuss possible diplomatic ties. South Korea has no

objection to the normalisation of US-North Korean relations as long as Pyongyang "is willing to fulfil its international obligations and start behaving as normal and law-abiding nation." Mr Han said. The US has suggested it will recognise North Korea if

Pyongyang allows the International Atomic Energy Agency to conduct full inspections of its nuclear facilities. In Brussels yesterday, the US and Russia agreed on a common approach towards a possible United Nations Security

Council resolution on sanctions to be imposed on North Korea over the refusal to allow The agreement between Mr Andrei Kozyrev, Russla's foreign minister, and Mr Warren Christopher, US secretary of state, appeared designed to exert pressure on Pyongyang to make good its assurances to

Mr Carter that it was willing to

freeze its nuclear programme.

We have developed a common approach towards a sanctions resolution which will integrate a possible interna-tional conference as well," Mr Christopher said.

Mr Kozyrev said: "Right now, we should show quite clearly that sanctions would be inevitable if North Korea does not take any positive steps."

Mr Christopher said on Tuesday that the US was ready to put the campaign for UN sanctions in abeyance if North

Rorea confirmed the assurances it gave to Mr Carter. A senior US official said the proposal agreed with Mr Rozyrev meant an initial phase of sanctions against North Korea would take effect 30 days after a resolution was enacted by the Security Council. Mr Kozyrev said: "These 30 days should be used for the international conference, to avoid the sanctions which of course are an extreme mea

The conference would include representatives of the UN, IARA, South Korea, North Korea, China, Japan, Russia and the US. American officials



South Korea's Foreign Minister Han Sung-joo answers questions at a press conference on plans for talks with North Korea

Omo and Persil under analysis as Unilever and Procter differ over triazacyclononanes Scientific press takes up detergent wars

By Tony Jackson

The soap war between detergents glants Unilever and Procter & Gamble has bubbled over into a new arena: the scientific press. Today's issue of the leading science journal Nature carries a highly technical analysis by 13 Unilever scientists of Persil Power and Omo Power, the detergent recently launched by Unilever across Europe.

Procter has claimed the new

at a cost of several hundred million pounds, damages

The paper gives a wealth of technical detail on the manganese-based catalyst – known as the Accelerator - which allows the new powder to wash at much lower temperatures. However, it does not address the two main charges levelled by Procter: that the Accelerator harms fabric, and that the manganese builds up in clothes over reneated washings.

new powder turns out to be a complex of manganese metal with a series of organic chemicals known as triazacyclononanes. It acts by speeding up the bleaching process which

removes stains The traditional bleach in detergents is hydrogen peroxide, which is slow to act at temperatures below 60°C. According to Unilever's researchers, powder containing the Accelerator is two to three times more effective at remov-

The magic ingredient in the ing tea stains from cloth at 40°C than the current generation of European pow-Unilever said the article had

> been written before the row with Procter had empted, "We felt it was not an article on the general use of detergents, but on the chemistry of manganese catalysts," the company

• Ronald van de Krol adds from Amsterdam: Unilever said sales of Omo Power in the after Procter's claims were publicised. Sales have partly recovered after widespread newspaper advertising, but remain below the "excellent" results when the product was first launched.

The company has asked Dutch shops to put stickers on Omo Power recommending it be used at 40°C or 60°C. Test results have shown that damage to clothing is highest when the detergent, designed for low temperatures, is used at 90°C.

Beijing to double telecoms spending cations' funding requirement

By Tony Walker in Beijing

China plans to spend Yuan450bn (\$52bn) on its tele-communications network to the year 2000, double previous estimates and including \$7bn in funds from abroad.

Western experts in Beijing said the jump in projected spending reflected a recognition by the government of a need to accelerate provision of telecommunications services to match China's commercial

Mr Wu Jichuan, minister of posts and telecommunications, said the funds would be used to instal sophisticated switching equipment; provide 20,000km of optical cables and 15,000km of digital microwave lines; build land satellite stations and purchase sophisticated letter sorting equipment. investment in telecommuni-

cations has been rising rapidly

in the past few years with

expenditures increasing from

budget of Yn53.6bn. Mr Wu said a "small amount" of the telecommuni-

would be covered by capital grants from the state. The bulk would come from domestic and overseas loans, China plans to have 110m

lines installed by 2000. This would be sufficient, according to telecommunications experts. to service 30 per cent of urban dwellers and 5 per cent of those living in rural areas. Mr Wu said China would be the world's largest telecommu-

nications market next century. Foreign investment is encouraged in all areas except the direct management of telecommunications businesses or gaining control of a company through buying stock," Mr Wu told the official China Daily.

China is making determined effort to source most of its telecommunications requirements locally by 2000.

Western experts say China will be "pretty well self-sufficlent" in switching gear by the year 2000. They also expect the Yn40.4hn in 1998 to this year's Chinese will seek more sophisticated items from the international market to build its electronic "super highway"

Salinas joins race to head WTO

By Damian Fraser in Mexico City, Guy de Jonquières in London and Frances Williams

The race to head the World Trade Organisation, the successor to the General Agreement on Tariffs and Trade, has entered a new phase with the decision by President Carlos Salinas of Mexico formally to put his name forward.

His nomination was confirmed as it emerged that South Korea plans to become the first Asian country to propose a candidate for the WTO. The name, believed to be that of an experienced trade policymaker, will be announced in Seoul today.

Meanwhile, a note of uncer-

tainty was injected into the European Union's plans to back Mr Renato Ruggiero, a former Italian trade minister, for the post, when officials in Brussels said he might not be formally endorsed by EU leaders at their Corfu summit this

The officials said that though Mr Ruggiero remained the only declared European entrant, EU leaders were expected only to discuss his candidacy informally in Corfu. They would probably leave it



to their foreign ministers to deal with the question next

Mr Salinas' decision to enter the race comes earlier than expected, and almost two months before the election in August which will choose his successor as president when he steps down after a six-year term in December. His nomination follows his

Salinas (left) free-trader; Rugglero (centre) uncertainty; Ricupero (right) backed by Brazil broad endorsement at last week's Ibero-American summit by the heads of all Latin American states except Brazil, which has proposed Mr Rubens Ricupero, its finance minister, for the post. "My personal feeling is that the US, as well as Canada and most Asian countries, will support the Salinas candidacy," Mr Manuel Tello, Mexico's foreign minister, who

is running President Salinas WTO campaign, said. Mr Salinas is the best known of three candidates to have declared so far. A committed free-trader, he was the driving force behind agreement on the North American Free Trade Area embracing the US, Canada and Mexico. While he is widely considered to have out-standing political credentials

tion could further complicate a decision on a candidate. That likelihood would increase if he were actively supported by moted Mr Ruggiero.

In that event, some interna tional trade officials believe, the outcome could be a bruising transatlantic confrontation, into which other countries could be drawn, or a stalemate which could open the way for a compromise candidate. Furthermore, Mr Salinas' candidacy threatens to divide Latin America if Brazil stands by its nomination of Mr Ricupero. Mr Tello has written to Mr Celso Amorim, Brazil's foreign minister, asking him to vithdraw Mr Ricupero's name.

He said Mr Amorim told him on May 30 that Brazil would reconsider its position if Mr Salinas chose to run, and had assured Mr Salinas Brazil would look favourably on the candidacy of the Mexican president. Since then, Brazil appears to have persuaded Argentina to retreat from the backing it gave Mr Salinas at the Ibero-American summit in favour of Mr Ricupero. Mexico says it has not been informed of any change in Argentina's

Singapore Airlines in \$10.3bn order

Aerospace Correspondent

Singapore Airlines (SIA) yesterday placed one of the world's biggest aircraft orders - for 52 Boeing and Airbus large wide-body airliners,

worth \$10.3bn (£6.68bn).

The order surpasses the \$8.6bn order SIA placed in 1990 and covers 22 Boeing 747-400 jumbos worth \$4.9bn and 30 Airbus A340-300E long-range airliners worth \$5.4bn. Both the US manufacturer

and its European rival com-peted fiercely for the SIA order in view of the reluctance of airlines to commit themselves to significant new aircraft pur-

Earlier this year SIA told the bidders it planned to buy a combination of Boeing and Airbus wide-body airliners, but it also suggested it would consider opting for just one aircraft type if it got a sufficiently attractive proposal, further intensifying the competition However, SIA finally opted for a mix of 399-seat Boeing

747s and 271-seat A340s, which it will deploy on long-haul routes that do not require the capacity of a 747.

All three leading engine

Lucas Aerospace, the aerospace arm of the UK engineering group, yesterday signed a \$10m joint venture agreement with the Taikoo Aircraft Engineering Company (Taeco) based in Xiamen, on the south coast of China, to establish an aviation repair and overhaul facility for es, flight control systems and other aerospace equip-

The venture, 65 per cent owned by Lucas and 35 per cent by Taeco, will begin operations in early 1996. Taeco itself is a joint venture in which partners include Cathay Pacific, Singapore Airlines and Japan Airlines.

manufacturers, Pratt & Whitney and General Electric of the US and Rolls-Royce of the UK, were competing to supply power equipment for the new SIA aircraft.

SIA selected Pratt & Whitney engines for its new 747s and CFM engines jointly developed by GE and Snecma of France

for the A340s. Although Rolls-Royce was regarded as an outsider in the SIA competition, the decision

UK aero-engine manufacturer Of the 22 Boeing 747 airliners, 11 are on firm order and the rest on option. Of the 30 A340s 10 are on firm order and 20 on option. The total value of the firm orders placed by SIA is \$4.25bn.

SIA said it had the flexibility to convert the options to other aircraft types. The Boeing 747-400s can be converted to any of the three models of the new Boeing 777 twin-engine widebody aircraft, while the A340-300E options can be converted to the twin-engine A330 or

another version of the A340. SIA, one of the world's most profitable airlines, expects to finance the orders from its cash flow, but if necessary it will resort to borrowing or

The new aircraft, to be delivered from 1996 to 2003, will expand SIA's fleet as well as replace older aircraft. SIA at present operates 63 aircraft and expects to see its fleet

grow to 111 aircraft by 2003. "The latest order is an expression of our faith in the long-term health of the aviation industry and the promis-ing future of SLA," said Dr Cheong Choong Kong, the airis a disappointment for the line's managing director.

Quotas for EU TV programmes come under fire

By Emma Tucker in Brussels

Television quotas in European Union countries are damaging develo, nent of Europe's audiovisual sector and work against the uncerests of the film producers, eighte holders, artists and teconicians they are supreport published today.

Prepared by consultants London Economics on behalf of Sony Europe, the report argues that quotes are anti-competitive, harmful to the promotion of Europe in television production, a drag on the creation of jobs and culturally ineffective. Its findings come amid mdications from the European

tion that it is willing to consider changes to the existing broadcasting directive. This directive recommends that EU-based TV channels allot at least half their broadcasting time to European-made programmes "wherever practi-cable", excluding time allotted to news, sports, games, adver-tising and teletext services. It also says at least 10 per cent of programming budgets should be devoted to European works from independent producers.

Earlier this week Mr João de Deus Pinheiro, commissione responsible for the audio-visual sector, said proposed changes to the directive would not be anti-American and quotas would not be tightened.

The existing quotas are intended to nurture Europe's broadcasting industry, and protect social and cultural values from the strong competition of cheap US imports.

But the report - based on studies of TV in France, Germany and the UK - says quo-tas are anti-competitive as they do not affect the programme output of well established channels such as the BBC, ZDF and TF1 (which already exceed quota requirements), but that of new entrants.

"Quotas make it more difficult for new entrants to compete, either by reducing the attractiveness of their schedules as a result of switching out of imported programming or by forcing up their program ming costs," says the report.

The Economic Impact of Tele

vision Quotas in the European Union, London Economics, 91 New Cavendish Street, London, W1M TFS.

progress

China's premier, Mr Li Peng, has urged speedier progress in negotiations on a \$2bn (£1.3bn) power project in southern China involving GEC-Alsthom and Chinese partners, Tony
Walker reports from Beijing.
Lord Prior, GEC chairman,
said in Beijing yesterday Mr Li
had left no doubt he was anx-

ious for the project to move ahead quickly because of electricity supply problems.

Lord Prior, who met Mr Li on Tuesday, said he expected negotiations on the coal-fired Jiaxing plant in Zhejiang prov-

ince to finish next year, but

financial discussions were proving complex.

This will be GEC's first power project in which it will take an equity stake through a build-operate-transfer (BOT)

Li presses | Taiwan in for power | aerospace talks

Taiwan is renewing its efforts to enter the commercial aerospace business, after earlier partnership negotiations, first with McDonnell Douglas of the US, then with British Aero-space, collapsed, writes Paul Betts, Aerospace Correspon-

A Taiwan aircraft company, Aero Industry Development Centre, said it was considering producing aircraft components for a new McDonnell Douglas 100-seater twin engine aircraft, the MD95.

AIDC officials have held talks with the US company which two years ago failed to forge a \$2bn (£1.3bn) commer cial aerospace alliance with Taiwan. McDonnell Douglas was proposing to invite 10 partners jointly to produce the

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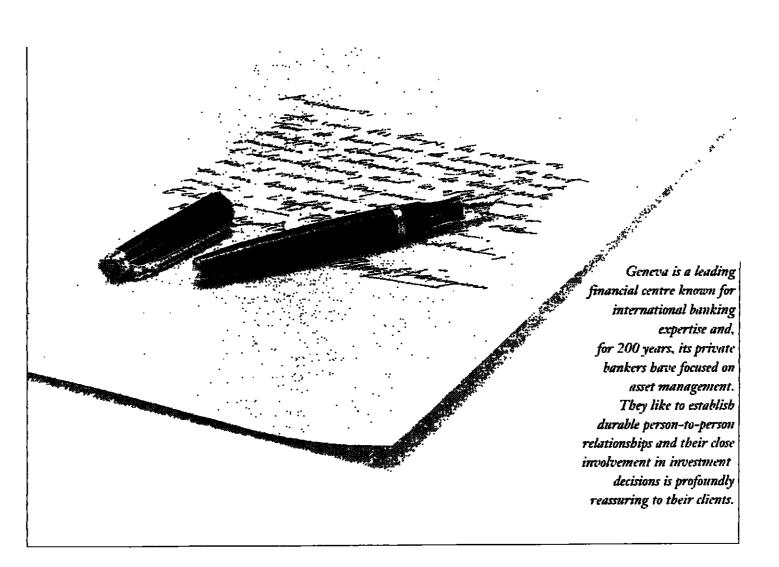
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Sealed proposals will be received at 3:00 p.m., on August 31, 1994, at COPEL's headquarters, 10th floor, 800 Coronel Duicidio Street, Curitiba, Paraná, Brazil.

Ferenz, prezz. Any further information may be requested through Phone nº (841) 223-2483 or Fax nº (941) 331-3265.

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Fed chief aims to bolster confidence in dollar

Mr Alan Greenspan, Federal Reserve chairman, yesterday sought to bolster international confidence in the dollar by arguing that many investors were too pessimistic about the outlook for US inflation.

He said an increase in US long-term bond yields this year was to be expected given faster economic growth and an increase in global demand for capital. But long-term rates were higher than they needed to be, because they embodied an excessive "inflation pre-

"I think that the inflation premium is too high, that nominal long-term rates...are higher than they should be" and would decline if the Fed held "inflation increasingly to a path of stable prices".

This situation was partly a lingering consequence of high US inflation in the 1970s which undermined confidence in US monetary policy. The inflation premium in long rates reflected a "still sceptical world financial market view that American fiscal and monetary policies retain some infla-

Speaking before the House

budget committee, Mr Greenspan did not comment directly on the dollar but instead tried to address fears underlying heavy recent selling.

There had been some "recent firming of prices of some prod-ucts and raw materials". However, "owing to constrained increases in unit labour costs, broad measures of producer prices for final goods have not generally reflected the increases in those input costs. In addition, monetary and credit growth remains quite

The outlook for inflation was thus "quite reasonable" and monetary policy was "dedicated to ensuring it remains that way". Mr Greenspan gave no sign that present inflationary pressures were sufficiently intense to require another increase in short-term interest rates in the near future. He seemed, instead, inclined to wait and see what effect the rate increases already announced would have on prices and output.

Questioned about deficiencies in the consumer price index, he agreed that it overstated the underlying rate of inflation for various technical

The upward bias probably the labour market

centage points, he said. This would imply that the "true" rate of inflation was closer to 2 per cent than nearly 3 per cent, as indicated by the official index. It would also imply that real short-term rates were higher than gener-

Mr Greenspan cautioned against assuming certain levels of unemployment or industrial capacity utilisation would automatically trigger upward pressure on inflation.

He said manufacturing capacity utilisation, at a shade under 83 per cent, was well above its historical norm. However, "there is no clear-cut trigger point for capacity utilisation as a signal for emerging inflationary pressures".

He also reacted sceptically to

claims by some economists that the US jobless rate, now 6 per cent, was at or below the "natural rate" of unemployment - a national threshold below which inflation is assumed to begin accelerating. The "enormous complexity and dynamism of our labour markets" made such calculations

impractical. He would watch carefully for Risky strategy to fend off Republican challenge in elections

Democrats hit at 'religious right'

By George Graham in Washington

Democratic party organisers, searching for ways of heading off a possible landslide of defeats in November's congressional elections, have embarked on a strategy of attacking the rival Republican party as a captive of radical, religious right-wingers.
The plan is a risky one that could

backfire in areas of the US such as the south and west, where conservatives and Christian evangelicals dominate the electorate.

Many Democratic strategists, however, believe religious extremism could become a "wedge issue" they can use to peel voters away from their opponents - just what they need at a time when some of them fear their party could lose as many as 45 or 50 of its 256 seats in the 435-seat House of Representatives, throwing control to the Republi-

Mr Vic Fazio, the California congressman who chairs the Democratic congressional campaign committee, sketched his party's line of attack in a speech in Washington this week in which he said the Republican party was now dominated by a radical and intolerant fringe group.

"The Republicans accept the religious right and their tactics at their own peril, for these activists are demanding their rightful seat at the table, and that is what the American people fear most," Mr Fazio said.

Democratic candidates in Pennsylvania, California, Oregon, Missouri and Idaho have already launched attacks in a similar vein on their Republican opponents, calling them extremists and "mouthpieces for the radical right."

The attacks have been fuelled in recent weeks by Virginia Republicans' choice of Mr Oliver North, the contro-



President Bill Clinton, pictured addressing business leaders, is struggling to avoid Republican party victories in congressional elections in November

versial Iran-Contra figure, to run for a Senate seat, by the Texas party's choice of a new chairman backed by religious groups, and by Minnesota Republicans'

selection of a Christian right candidate for governor in preference to the sitting Republican party officials and the

gious organisation that has worked to get Republicans elected in many states, hit back by accusing the Democrats of "Christian bashing" and religious big-

And some Democratic campaign managers cautioned that their party had to be very careful to focus its attacks on its opponents' positions on issues such as abortion, school syllabuses and the position of women, and to avoid being seen as attacking people for their religious beliefs.

The charge of religious extremism could prove effective in reducing the electability of Republican candidates in

suburban areas.

But it is likely to be counterproductive in rural districts, especially in the south, where as many as half of the voters may count themselves as bornagain Christians.

Mr Fazio said the 1990 redrawing of district boundaries had made many more districts competitive and reduced the Democrats' incumbency advantage. In addition, of the 49 seats left open by a sitting member's retirement, 30 are currently held by Democrats.

"Of those 30 seats held by the Democrats, we classify only two likely Democratic'. The other 28 are extremely marginal and could go to either party on election day," Mr Fazio said.

Dissatisfaction with President Bill Clinton and continuing distrust of Washington incumbents also make the Democrats' task more diffi-

But while Republican party strategists are confident of being able to build on this to fashion a substantial victory in November's congressional elections, some warn that they will need to develop a much more positive message if they want to win back the White

Hopes rise on healthcare bill

Senator Daniel Patrick not win the committee's back-Moynihan yesterday promised that the Senate finance committee he chairs would start detailed drafting work on a healthcare reform bill next Monday, possibly signalling that President Bill Clinton's deadlocked reform initiative may at last be starting to move

The finance committee has long been regarded as the key to the healthcare bill. Because the committee's membership of nine Republicans and 11 Democrats, including several centrist swing voters, closely mir-

rors the political balance of the full Senate, any bill that could ing is reckoned to have little chance of final passage.

Mr Clinton and Mr Moynihan have engaged in a tug-of-war over the last few days. The bookish New York senator has repeatedly insisted that legislation guaranteeing universal health insurance coverage cannot pass Congress this year, while Mr Clinton has refused to back down on what he calls his single non-negotiable demand. Mr Clinton this week begged business leaders not to walk away from the healthcare debate, and casti-

might end up covering only 91 per cent of the population. "Unless we can provide cov-

erage for every American in a reformed system which focuses on both quality and control of costs, the deficit will grow, your costs will continue to grow and undermine productivity, and more and more Americans will lose their coverage or be at risk," Mr Clinton told the Business Roundtable, a gathering of the heads of some of the US's largest companies. By agreeing to sched-ule a committee "mark-up" on Monday. Mr Moynihan seems to have blinked.

Colombia poll victor denies drug cartel link

Colombia's president-elect Mr Ernesto Samper yesterday vehemently denied accusations that his election campaign had benefited from contributions by the country's Cali cocaine cartel.

A tape containing conversations allegedly detailing possible contributions was released in Bogotá yesterday, only three days after the the election success of Mr Samper, a member of the ruling Liberal party. The tape was released by Mr Sam-

per's defeated opponent, the Conserva-

tive Mr Andres Pastrana. He was given the tape in Cali just before the election and passed it on to outgoing President César Gaviria. The prosecutor general is investigating the case.

Mr Samper said his campaign treasury had not received any money "of doubtful origin" and offered his accounts to the prosecutor general for examination. Mr Pastrana played the tape and said it could not in any way be interpreted as involving his own campaign. He asked Mr Samper to issue a statement saying he would resign as president-elect if it was shown the Lib-

eral treasury had received money from drug traffickers.

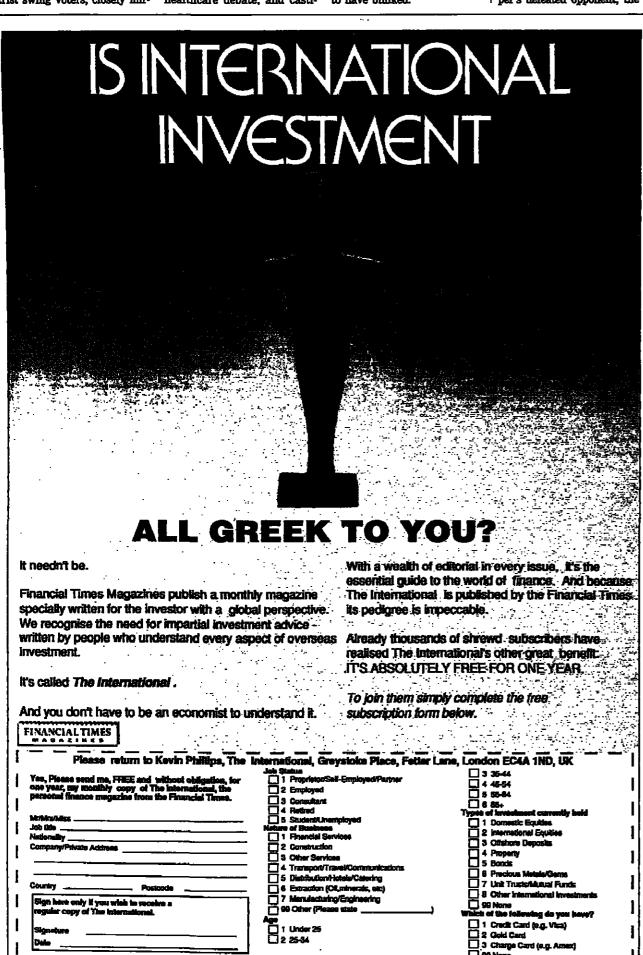
Three conversations are recorded on

the tape, the first two allegedly between a journalist and a senior member of the Cali cartel. The third is between the same journalist and a man considered to be leader of the Cali group.

Nicknames and elliptical references are used in the conversations as well as some direct mention of figures in the presidential campaign. At one point the journalist says multi-million dollar contributions are needed and the answer is: "Those are there. That is defined."

The context suggests this refers to the Samper campaign. However, transcripts of the tape released in the Bogotá press also refer to a meeting with a member of Mr Pastrana's campaign, and to contacts with independent law-and-order candidate Mr Miguel Maza Marquez, who later backed Mr Samper after defeat in the first round.

Diplomats have said they would be surprised if some drug money had not entered the campaign of both the runoff candidates, though they stressed this could have occurred without the





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Addiction or taste in battle for smokers' allegiance

re US tobacco companies deliberately manipulating the amount of nicotine in cigarettes to keep the nation's 46m smokers addicted? Damning evidence presented to Congress this week seemed to suggest as

On Tuesday, a House of Representatives sub-committee heard allegations that Brown & Williamson Tobacco, a US subsidiary of Britain's BAT industries, had secretly developed a genetically engineered tobacco called Y-1 that contained more than twice the amount of nicotine found in normal tobacco plants.
Mr David Kessler, commissioner

of the US Food and Drug Administration, told the committee that B&W had earlier denied breeding tobacco plants for high or low nicotine levels: yet the company had several million pounds of Y-1 tobacco stored in US warehouses and had been using it in five domestic brands of

Mr Kessler's purpose in present-ing the evidence was to bolster his case for bringing cigarettes under his agency's control. Previously he has threatened to regulate cigarettes as drugs if it could be shown

buy them to satisfy a nicotine addiction. At the hearing on Tuesday he said there was no longer any doubt that the tobacco industry was manipulating and controlling levels in its products.

B&W will reply to the allegations at a further hearing today, but it has already accused Mr Kessler of blowing the issue out of proportion. There was nothing secret about Y-1, it said: it was just one of a variety of domestic and foreign tobaccos used by the company to provide the unique "recipe" of ingredients that went into each brand.

In reality, the history of Y-1 is almost an irrelevance. At issue are two questions: first, whether cigarettes are addictive, and second, whether manufacturers intend them to be addictive. If the answer to both questions is yes, the FDA may be able to bring them under its jurisdiction as a drug.

That manufacturers control the levels of nicotine in their cigarettes is not in doubt. In the 1940s, nicotine and tar occurred in cigarettes at more than three times today's levels, but manufacturers gradually reduced them through refinements in the processing technique to satisfy demand for smoother and

Anti-smoking campaigners, health officials and industry experts in the UK were yesterday in broad agreement that the world beyond the US had little to fear from the Y-1 highnicotine tobacco, the commercial use of which was revealed this week by Mr David Kessler, head of

> tion, reports Jimmy Burns. Mr Stephen Woodward, deputy director of ASH, the anti-smoking lobby said: "Our experience of tobacco companies is that any new product that is judged to give a competitive advantage, very quickly spreads throughout the industry".

the US Food and Drug Administra-

However, ASH said that it had no evidence to contradict the assertion by BAT Industries, parent of Brown & Williamson Tobacco of the US which developed cigarettes containing the Y-1 strain, that

So why not eliminate nicotine altogether? Because, say manufac-turers, it is an essential contributor to cigarette flavour. When nicotine levels in cigarettes fall below a certain point, smokers no longer enjoy them. So companies adjust the nicotine level and other flavour-enhancing ingredients of each particular brand by using blends of tobacco leaves. "Y-1 was a blending tool for

these had been largely withdrawn after proving unpopular with con-

Mr Woodward said he did not believe that Y-1 has been widely used on unsuspecting guinea pigs in the Third World. Tobacco companies, he pointed out, have no problems in the Third World marketing high-nicotine high-tar cigarettes without having to resort to new

His views were echoed by Mr Nicholas Wall, a professor in environmental protective medicine at St Bartholomew's Hospital, Lon-

"I can't see who would want to go through all the trouble and expense [in the Third World where] there is less reason to use high-nicotine strains of tobacco because there has been less public pressure to reduce tar yields," he said.

flavour," B&W said. Mr Walker Merriman, vice president of the Tobacco Institute, the industry's trade association, said yesterday that consumer preference was the specific reason for having a particular level of tar and nicotine in any particular cigarette. One or two US brands had almost insignificant levels of nicotine, he said, but commanded very low market share.



Kessler: accused of blowing the issue out of proportion

Mr Kessler has recently backed off from earlier suggestions that tobacco manufacturers deliberately "spike" their products to keep smokers addicted, but has more recently said it is sufficient to show that cigarette manufacturers have the ability to control the level of

and earlier no-nicotine brands nicotine in their products and have had failed through lack of allowed it to remain at addictive

The industry position is that cigarettes are not a drug as defined in the 1938 Federal Food, Drug and Cosmetic Act because they "do not intend to affect the structure or any function of the body". In any event, manufacturers say, smoking cannot

of US citizens today who have ever smoked have quit - more than 90 per cent of them without profes-

Mr Kessler's ultimate objective appears to be to bring the tobacco industry under his agency's control so that he can force manufacturers gradually to reduce levels of nicotine in their products and so wean smokers away from the habit.

Critics say a possible risk in such a policy is that it could lead smokers to smoke more cigarettes to compensate for the loss of nicotine intake, so increasing their exposure to the carcinogenic ingredients of cigarettes without hurting industry

On past form, however, it will be long time before things get this far. If the FDA moved to take control of the industry, the tobacco manufacturers would undoubtedly take the agency to court. Armed with vast resources of cash and extremely experienced lawyers, they would stand a good chance of emerging unscathed.

Until now, US courts have taken the view that the hazards associated with smoking are so well known that anybody taking up the habit assumes all the risks involved. In the eyes of the courts. the industry, it seems, is blameless it has never lost a case yet.

WORLD CUP

Testing time for middle men

Peter Berlin in San Francisco on the role of the referees



shops is a depressing collection of World Cup titles. There are shelves piled with beginners' guides that explain the world's game in the language of John and Janet.

One of the better publications is by Pete Davies, a British author, called Twenty-Two Foreigners in Funny Shorts. Any American who has taken an interest in the matches so far will know that Davies gave his book the wrong title. This is a game for 25 foreigners in funny shorts.

Fifa, world soccer's governing body, has changed the officials' uni forms from dull black to eye-catching patterns in yellow and red. Fifa wants lots of red and yellow from the referees, and has given instructions that were bound to increase the attention focused on them.

Joao Havelange, Fifa's president announced before the competition that any referee who did not show a red card - and thus expel a player from the game - for a tackle from behind would find himself on the first flight home.

There have been enough nasty tackles from behind to fill a segment which ESPN, the US sports network, has been showing at halftime during matches, but, after the first five days, only Miguel Nadal of Spain had been sent off for such an offence, and no referees had been

spotted at the airport. One Fifa official told me that Havelange had been speaking figura-tively. But this did not mean that the threat lacked bite. Referees who did not follow Fifa directives would not be selected to referee matches in the later rounds.

It was even possible that a referee who especially upset the referees' committee might be pulled from a first-round match he had already been assigned to. In other words, referees who are seen to make mistakes cannot expect support from Fifa; instead, they will get a public humiliation designed to make clear that they not Fifa, are at fault

In truth Fifa wants black and white (and yellow and red) where there is often only grey. When top athletes tangle at high speed, with arms and legs all over the place, it is often impossible, even with slowmotion replays, to determine



German striker Jürgen Klinsmann goes down after a challenge in Tuesday night's 1-1 draw with Spain Plane Paris

whether the tackler touched the ball or the opponent first.

And players exploit that doubt. Defenders often try to make sure they connect with ball and opponent the attacker's first reaction is often to fall to the ground as if shot. Understandably, referees have been

merican newspapers, which bow to no-one in the art of pictures showing that Thomas Dooley of the US played the ball in the crucial tackle from behind in the US-Switzerland game. The referee gave a free kick but did not send Dooley off. From the kick,

Switzerland's Georges Bregy scored. Unsurprisingly, Fifa offered a clarification. Sepp Blatter, Fifa's general-secretary, said: "If the tackling player does not touch the ball then he should be sent off. If he takes the ball away then obviously

he has played the ball."

Nevertheless, waving a red card is still a drastic action from which referees flinch. Khalil Azmi, the Moroccan goalkeeper, escaped unpunished after a frontal assault on Belgium's Josip Weber which saved a certain goal. Azmi had the presence of mind to stay down injured and have himself carried

from the field. It takes a degree of courage to wave a red card at a man on a stretcher.

ated a little help. Marco Etcheverry of Bolivia barely poked Lothar Matthaus in the bottom with the toe of his boot. But the German captain, always willing to guide the referee, turned on Etcheverry in indignant fury. Result: a red card. The Russians pushed and wrestled the Brazilians all afternoon; it was only when they sent their opponents flying through the air that the referee

An Lan Kim Lee Chong of Mauritius, reacted. Referees have been inconsistent in handling the tackle from behind, and have largely refused to interfere when attackers back into defenders and defenders shove back. But they have been refreshingly steady on a couple of modern

A glimpse of raised studs when the ball is on the ground, or raised inevitably attract a penalty. The lat-ter has not been a problem so far: unlike their British counterparts, most players at the finals do not seem to believe that they must raise and lower their elbows vigorously to jump for headers.

elbows when the ball is in the air,

with a will to Fifa's demand for In general, referees have appreci-

increased productivity. By Tuesday evening, 47 yellow cards and two red cards had been waved at players in the first 13 matches, up from 30 yellow and four red four years ago. And yet the soccer has been far superior. There have been a few cynical fouls, but games have not been dominated by foul-minded defenders. On the other hand, it is not clear yet whether the blizzard of yellow cards has helped produce the sparkling play, or resulted from over-reaction to what fooling there

Blatter is in no doubt where the credit belongs: "It is such a pleasure, after what we have done to improve refereeing over the past three years, to see how good the refereeing is here."

However, nearly 20 per cent of first-choice players are one mis-step away from a suspension. If Fifa's decision to ban Etcheverry and Nadal for two matches, instead of the more usual one, is a sign of intent, many teams could find themselves with gaps in their line

ups in the knock-out stages.
Since most of the missing players will be defenders, that will tip the balance even more towards attackers. No doubt that is what Fifa and Referees have also responded

Norway braced for Italian backlash in toughest group

Norway's defence are bracing themselves for an Italian backlash in their World Cup Group E clash in New Jersey today. "E" is con-sidered the toughest of the six first-round groups. Qualifying matches for the second round continue for another week.

"The Irish did us a favour by showing us that it is possible to play our way in this heat but they didn't do us a favour by beating Italy," said the Chelsea defender. Ireland beat Italy 1-0 last week-

and that's a problem for us, having to meet them next. It's not going to be easy because they will

be desperate to win," he said. The Italians are seeking more than the three points that will put than back into group contention and restore their battered reputation. "We have to play like we're convinced we'll win," said Italian midfielder Demetrio Albertini. "We let Ireland dictate the game to us when it should have been the

other way round." In the Italians' favour is that Norway felt the strain of their late win over Mexico. "We were all knackered after the game against Mexico," said Johnsen. "These conditions are a definite advantage to the South American and

Latin teams." Ireland remain favourites to win the group. Johnsen said: "I'm sure Ireland will beat Mexico on Friday. They are very similar to us and Mexico will find it hard to play against that style. They don't like the muscular defensive play. You have to keep your concentra-tion all the time. They showed with a couple of late chances that if you make a mistake they might

Striker Roberto Baggio was declared fit to play against Nor-way, having suffered an inflamed right Achilles tendon. But out for the game, and possibly the tourna ment, is mid-fielder Alberigo Evani, who strained his right leg in training. The injury appeared to be serious, team doctors said.

S Korean shipyard set for stoppage

Thousands of workers at the world's largest shippard, in South Korea, plan to go on "temporary strike" during today's Group C match between South Korea and Bolivia in Boston. The labour union at Hyundai Heavy Industries in Ulsan, south east of Seoul,

Erland Johnsen and the rest of said it plans to call a three-hour stoppage to enable its 25,000 members to watch the match.

South Korea need to heat the Bolivians if they are to reach the second round for the first time. They drew 2-2 with Spain last ekend with two goals in the last six minutes

Hyundai union leaders said the plan for a temporary strike was part of their efforts to put pressure on their management, which had been unco-operative in months of wage negotiations. The union wants 13 per cent more; the company is offering 5 per cent. Hyundai's management called the

planned strike illegal. Prisoners in Bangladesh have already pulled the same stunt going on hunger strike before relenting and agreeing to resume eating when their custodians agreed to let them watch World Cup matches live.

Easy victory for stylish Nigerians

A partisan Cotton Bowl crowd in Dallas cheered every Nigerian move throughout an easy Group D 3-0 victory over Bulgaria on Tues-

"I didn't believe it when I sav the crowd," said Rashidi Yekini, who scored Nigeria's first goal. "It was our first time in the World Cup and everybody loved us. That's why we had more confidence.'

As expected, the Nigerians, African champions, showed an alwaysattacking approach that the crowd enjoyed. "I told my boys they want entertainment in the USA good football with action," Nigerian coach Clemence Westerhof said. "We are not afraid. We came from far away to show that Nigeria can play football."

US coach banks on high-tech approach

It may not guarantee success, but the US team has an array of hightech gadgets to help them assess rivals teams. Coach Bora Milutinovic's portable fax machine runs almost non-stop, his tape machines hum and the mail brings steady flow of videotapes and

The US team played Colombia last night in Los Angeles in their second Group A game. It is feared that US interest in the tournament will slump if the home team is brusquely bundled out.

New Jersey (9:00 pm BST) GROUP C

By last Sunday night, the US players were reviewing computer generated assessments of the previous day's 1-1 draw against Switzerland. The coach knows how many times opposing players went right, how many times left - and how many times straight up the middle.

Each US player gets an individualised videotape before each game, analysing opponents' styles and habits. Milutinovic has three videotape decks in his hotel room to prepare the materials. "In 1990, we just looked at videotapes of our opponents' games," US defender Paul Caligiuri says. "This is much more sophisticated."

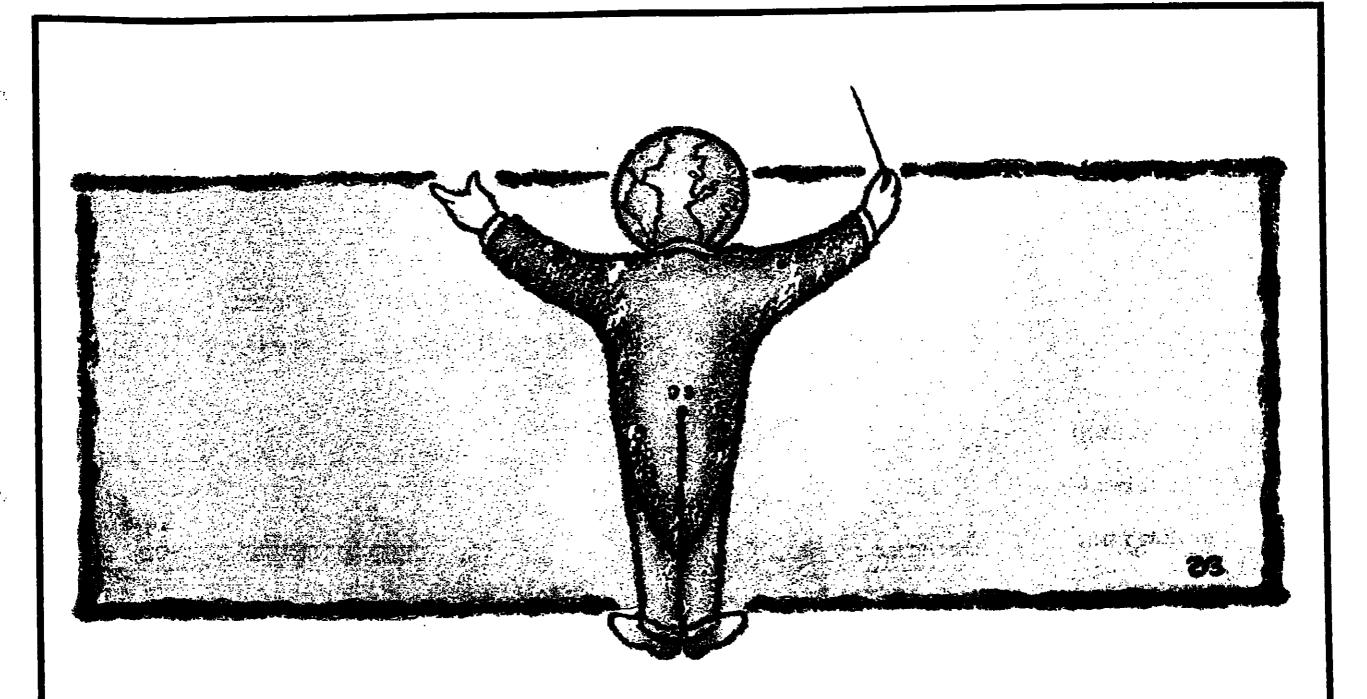
Quarter of Germany watches Spain game

In Germany, an estimated 25 per cent of the 80m population tuned in on Tuesday evening for the defending champions' 1-1 draw with Spain. The ZDF network sald 20.2m viewers were ready at 10pm to watch the start of the game. The draw gave Germany which beat Bolivia in its opener, four points in Group C and an almost sure passage to the second round

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Treasury rules out quick interest rate rise

By Philip Coggan, Economics Correspondent

The "bias towards easing" in UK monetary policy appears to be over but an immediate increase in interest rates is unlikely, the Treasury disclosed yesterday.

Minutes of the monthly monetary meeting, held on May 4, show that Mr Kenneth Clarke, the chancellor of the exchequer and Mr Eddie George, the governor of the Bank of England. agreed that "it was not appropriate to change interest rates at the moment."

When the first set of minutes was published, in April, it was revealed

that the chancellor and governor had adopted a "bias towards easing" in monetary policy, indicating that further rate cuts might be made. But in the May meeting, the two men seemed to move towards a more neutral policy.

The minutes show Mr George saying that "It now seemed less likely (although still not impossible) that interest rates would need to be cut further in order to prevent an increase in spare capacity. There was no longer a clear bias towards easing policy, but also no case (at least for the present) for a tightening either." The chancellor is then described as

being "in broad agreement with the governor's assessment."

Since the meeting was held, the governor indicated in the annual Mansion House speech that a preemptive rise in interest rates, designed to prevent inflationary pressures from building, might be necessary at some point.

Mr Simon Briscoe, UK economist at S G Warburg, said that "the conditions are not yet in place for a rate rise. To get one in the next three to four months, we need something fundamental to change in the economy."

The May minutes show that while

mainly in agreement on the strength of the economy, they still have some differences of view on inflation.

Mr George said that "while inflation was likely to remain subdued in the near tarm, there were some risks surrounding the prospect further ahead." He pointed to strong monetary growth, a build-up of inflationary expectations and the rise in average earnings as three indicators of inflationary risk.

But while the governor said that the "increase (in average earnings) had occurred both sooner and faster than anticipated", the chancellor said

recent months had been anticipated and reflected to some degree higher bonus payments and overtime." Both agreed that the earnings data had to be carefully monitored.

The two men concluded that there was little evidence, to date, that that tax increases had derailed the recov-

ery.
Mr Clarke said "it would not be surprising if there was some short-term reaction to the tax changes, with consumer spending pausing temporarily before it started to move ahead again. But at this stage there were no signs of a sharp fall in consumption."

Row over government role in rail strike

By Kevin Brown and Robert Taylor

The row over the extent of government intervention in the rail dispute grew yesterday as the opposition Labour party claimed that transport secretary John MacGregor had threatened to veto any pay deal for signalling staff that breached the government's public sector pay bill freeze.

The claim followed a BBC

radio interview in which Mr MacGregor appeared to agree with the interviewer's assertion that he would block any deal he did not like.

Mr Frank Dobson, Labour's transport spokesman said Mr MacGregor had made an "unhelpful" intervention, which made negotiations of a settlement "much more diffi-

Aides of Mr MacGregor said that he never used the word veto and that his remarks made in a BBC radio interview had been misinterpreted. The row was dismissed by a Downing Street official as a media invention.

The transport secretary said that the government was "asking Railtrack to negotiate on the basis of the approach to public sector pay that the chancellor set last autumn". He agreed he was in regular contact with Railtrack chair-

man Bob Horton. Mr Horton said that he was being driven by a "business and commercial imperative" and he would not "buy peace" to end the signalling dispute. About 1,000 trains ran yester-

day despite the strike com-

The second one day strike on British Rail hit visitors too - this unhappy Swiss traveller was stuck in London en route for Edinburgh

pared with a normal service of 15,000 though they carried few passengers who either did not know the services were running or feared they might not be able to use them to return

The RMT rail union said yesterday it was alarmed about

reports that unqualified managers had been used to operate the signal boxes during yesterday's 24-hour stoppage. Mr Jimmy Knapp

union's general secretary has written to the Chief Inspector of Railways urging him to investigate the allegations.

Citing examples he said that ated by persons who have not "the possible disastrous implibeen properly trained", comcations of such practices are quite apparent and need no

explanation", "I am extremely concerned that in various parts of the country signalboxes and signalling centres are being operplained Mr Knapp.
The RMT, which holds its

annual conference in Liverpool next week, has announced two further 24 hour strikes for next Wednesday June 29, and for another on July 6.

The committee, under the chairmanship of Mr Gerald Kaufman, the Labour MP,

severely criticised both record

The committee said that while it had "found no evi-

dence of formal or overt collu-

sion, it considered that the

major record companies and

the retailers are effectively car-

prices for CDs.

companies and retailers for

Deadline set by regulator

By Alison Smith

Securities and Investments Board, the City's chief regulator, yesterday set a deadline of October 1 for independent financial advisers to decide whether to apply for membership of the new Personal Investment Authority.

The move gives fresh impetus to the PIA, which will be the watchdog for Britain's private investors, and came as the SIB gave the go-ahead for the body to begin operation in mid-

July. Yesterday's moves bring to a close a long debate over the controversial new watchdog. The SIB's decision to set a firm deadline just over three months away will force independent financial advisers to apply for membership of the

PIA, seek direct regulation by

the SIB, or leave the investment business by the end of Fimbra, the existing regulator for independent financial advisers, and Lautro, the existing regulator for the life insurance industry, are intended to disappear altogether in Octo-

Mr Andrew Large, SIB chairman, yesterday called on financial advisers and life companies which had not applied to

the PIA to do so immediately. Moreover, the trade associaadvisers, which had previously urged their members to delay applications, now say they should not wait any longer. They had previously been among the most vocal opponents of the PIA, claiming that new regulatory arrangements reflected a "hidden agenda" to cut the numbers of independent financial advisers.

charging excessively high As it completed the formal process of approving the PIA as a suitable regulator, the SIB emphasised it would exercise close supervision to see that the watchdog delivered higher standards of investor protection than existing arrangements had done.

Are you look!

CD pricing probe to clear music industry

By Michael Skapinker Leisure industries Correspondent

The Monopolies and Mergers Commission is expected today to clear the music industry of over-charging consumers for compact discs.

The commission is also expected to say that although a small group of retailers accounts for a substantial share of the market, this does not operate against the public

interest. The commission report will be the second important victory for the music industry this week. On Tuesday, the High Court rejected a bid by George Michael, the pop star, to have his recording contract with Sony

declared unenforceable. The music industry feared that if George Michael had won, other artists would have

attempted to change their contracts. and HMV together controlled
The commission's decision 54 per cent of music stores.

on CD prices was widely expec-ted, but retailers were uncertain whether or not action would be recommended against them. A finding that retailers are acting properly in selling CDs will come as a relief to the companies con-

cerned. A report last year from the cross-party national heritage committee said W.H.Smith, Our Price, Virgin, Woolworth

The MMC's inquiry, launched last year, is expected to find that UK compact disc prices are the lowest in Europe.

Although CDs cost more in the UK than in the US, the commission is expected to conclude that this is in line with differences in the price of other consumer goods.
The commission's findings

are expected to contradict the national heritage committee's report last year.

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By Chris Tighe

raten

The government is taking a tougher line on applications for regional aid from inward investors considering England as a location and indigenous companies wanting to expand.

The Department of Trade and Industry yesterday con-firmed that it is now scrutinis-ing applications for Regional Selective Assistance in England more stringently, as part of the constraints on pub-

The tightening up on the allocation of RSA grants has not been publicly announced. but its effect is arousing concern among many of those dealing with inward investment, an internationally highly competitive field.

Mr Tim Sainsbury, industry minister, has been lobbied by development agencies and local authorities worried that the tougher approach will disadvantage the English regions in their pursuit of economic regeneration, as mobile inward investors shop around internationally for the best deal.

"If you aren't in the shop window, they won't come in and talk," warned one development agency boss yesterday.

Another said: "Securing inward investment is highly competitive, a grant regime is a major element in being able to secure projects." RSA allocations, he added, also had a great bearing on the competitive edge in international markets of indigenous English companies seeking grant

aid for capital investment. Mr Sainsbury's response to the complaints has been that since the recession is lifting. more projects are now bidding for funding and that more areas of England are competing, following last summer's redrawing of the Assisted Areas Man.

The DTI said yesterday this year's RSA budget for England
- which includes an undisclosed number of commitments made in previous years - is £101m, compared with 1993/4's £89.2m. "There's no less money available overall, but we're being increasingly careful about who gets the money," said a spokeswoman. But some economic develop-

ment bodies are fearful the

government's belief that the

UK is now a highly attractive location for inward investment is lessening ministers' commitment to a grant regime. Their worries have been

heightened by the govern-ment's decision, unveiled in last month's competitiveness policy paper, to lay greater stress in granting RSA on the quality of jobs created. This policy may make it more difficult to win grants for projects offering the kind of less skilled work attractive to many jobless people in high unemployment areas.

There is also concern that the English regions are losing petitors but to Wales and Scotland, whose applications for Welsh and Scottish offices



Britain in brief

Irish-based insurer for London buses

London Transport has been forced to set up its own Irish-based insurance company to provide affordable insurance cover to the 10 London bus companies which are due to be privatised later this year.

named after the best-known of London's red buses, is intended to fill a gap in the established insurance market which is reluctant to insure

The new company will also allow newly established management buy-out teams, which have no operating record to put to the insurance industry, to buy insurar at reasonable rates. Mr Clive Pracy, head of risk management at London

Transport, said. Insurance premiums are expected to be the second largest cost item in the bus ompanies' accounts after

This move by London Transport will be watched closely by the soon-to-be privatised train operating companies which also face problems in obtaining affordable insurance

Initially, each of the 10 bus operators will become a shareholder in the new company though membership could be widened later to include bus companies from other parts of the UK.

Aid targets 'met by UK'

Britain's £2.2bn overseas aid programme was the sixth largest in the world and targeted closely on the needs of developing countries, Mr Alastair Goodlad, foreign office minister, told the Commons last night.

He said statistics soon to be published by the organisation for economic co-operation and development (OECD) would show that at 0.31 per cent of gross national product Britain's overseas aid budget was above the average

overseas aid spokesman, condemned the linkage between British aid and the

He cited the Pergau dam project in Malaysia as an example of the government's failure to target aid on countries in greatest need. He maintained that if the project appraisal documents and other information had been made public the provision of aid for the Pergau dam would never have been approved.

13 directors convicted

Thirteen company directors were convicted in criminal cases in the first quarter of 1994 compared with three in the previous quarter, the Department of Trade and Industry said yesterday.

A further four directors were disqualified for periods between two years and seven years as a result of civil

Case put for equality

Companies need to be convinced there is a good business case for them providing equal opportunities for men and women in the workplace, Ms Kamlesh Bahi, the chairwoman of the Equal Opportunities Commission said

"Employers must understand the economic arguments for equal opportunities", she added. "Our aim is to ensure we make the most of human potential and individual choice and that such strategies are cost efficient".

Investment at record level

Net investment by UK institutions rose by £2.2bm in the first quarter of 1994 to a record level of £15.4bn the UK government's Central Statistics office.

Of that, the greatest single beneficiary were UK government securities which had a net inflow of £5.229bn, the highest single quarterly figure for investment in this category since at least the fourth quarter of 1992.

Newspaper war begins

Mr Conrad Black last night declared war in Britain's broadsheet newspaper market by cutting the weekday price of the Daily Telegraph to 30p, the price to which Mr Rupert Murdoch reduced the Times last September.

"This is war and no one goes to war in other than a sober mood but we are market leader and we will protect our position," said Mr Black, the Telegraph's chairman. He took the decision yesterday after consulting senior executives.

The retaliation came after 10 months in which the Daily Telegraph insisted it had no intention of cutting its price to match The Times.

But in April the circulation dipped below 1m for the first time in more than 40 years. There was a further fall in May to 993,395 in circulation as The Times reached record

sales of 515,000. Mr Black said Telegraph sales were now above 1m but he was not "going to sit like a suet pudding" and allow any competitor to attack his share of the market.

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Teachers 'should learn from Europe'

England's classroom teachers need to learn from colleagues in the rest of Europe if the country is to compete effec-

tively, MPs heard yesterday. Mixed-ability teaching and the least able pupils on this side of the Channel to slip further behind, with the Government's education reforms not going far enough to redress the balance, it was stated.

The evidence to the Commons' education select committee came from Mr Sig Prais, of the National Institute of Economic and Social Research, and Mr Roger Luxton, principal inspector from the London Borough of Barking and Dagenham.

They reported research into schools in France. Germany, Holland and Switzerland, where they found less differ ence between inner-city and other schools, and between children of different back-

grounds within schools. They blamed clear differences in teaching practices

Continental teachers saw their role as ensuring that virtually all pupils reached the standard set for each year group, they said in written evidence. In contrast, English teachers tried to cater for the differing abilities of individual pupils, and ended up by reinforcing them.

The better provision made in a great variety of aspects of Continental schooling - especially for those who are low attainers - leads to higher average standards and less

variability," they said. They did not advocate wholesale importation of Continental teaching practices, but said that many aspects of schooling in England



The British Horse Racing Board altered its rules to let racehorse owners sell advertising space on the sleeves and collars of jockeys' silks. The board, the governing body for horse racing in Britain, will also allow advertising on paddock blankets and the backs of stable lads' jackets.

Warning on Lloyd's agents

By Richard Lapper

The Lloyd's insurance market's relationship with new institutional investors could be damaged by Lloyd's agents who attempted earlier this year to dismiss some Names from their syndicates, a senior corporate financier warned

The agents had acted in anticipation of new rules that guarantee Names continued participation in syndicates. Sir Laurie Magnus, deputy

head of UK corporate finance at Samuel Montagu, the merchant bank told a London conference on corporate capital that failure by agents to "respect the spirit" of the new rules on pre-emption rights

by the investment community. The rules are designed to allow the Names, whose assets support the market, to increase their participation in line with any overall increase in syndicate capacity.

Pending introduction of the changes last May, eight agents are understood to have written to Names - both individual and corporate - giving them provisional notice, effectively cancelling their participation as of December 31 this year.

Sir Laurie last year co-ordinated the launch of the London Market Investment Trust, the biggest of more than 12 new investment vehicles at

Corporate investors pressed

hard for Lloyd's to introduce pre-emption rights last year, when they supplied more than £800m to support syndicates.

Lloyd's syndicates obtain about 10 per cent of their capacity from corporate sources, but are seeking more funding as a result of the individual Names.

A new round of losses reported last month, which brought Lloyd's cumulative deficit since 1988 to £7bn, is expected to force many individuals to leave the market.

expected fall in the number of

Sir Laurie said that most corporate investors were now focusing on new so-called "dedicated" investment funds in which they would back syndicates managed by one agency.

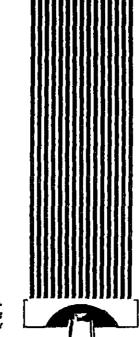
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Mr Tom Clarke, Labour's sale of arms.

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BOSTON

Global gallery for Irish art

Niall McKay on plans to use the Internet to display paintings

rural Ireland.

"In the early '60s and '70s I

travelled a lot between Ireland.

New York, Paris, London and

even Africa, but now I am not

interested in all that. I have my

painting and my interests here so I think this is a great opportunity to display my

paintings. The beauty is that this

Webb believes there are further

read anything that has done justice to my or anybody else's paintings, but with this people

advantages in the concept of

International art has become

between paintings from almost

anywhere in the world. It's made

up of the sort of paintings that

more of an ethnic painter. I like

to express the peculiarity of the

landscape around me. This

[Internet] will allow painters

be exhibited internationally."

Barry Flannigan, head of

Ireland On-Line, sees a trade-off

between the quality of the image exhibited and the cost of

downloading that image. "It's

a balance really; most computer

75 dots per inch but we provide

150 dots per inch and include

print lithographically. It's just

painting then they can buy it."

Maguire has approached the problem from a different

perspective, mainly because as well as providing the images over

the Internet, he plans to produce CDs of the paintings. "The solution is so simple and already

tried and tested. It's share ware.

they can pay a licence fee to the

Maguire has teamed up with

says the potential of the Internet

the artist Paddy Graham, who

"The question is whether

intuitive process of an artist or

technology will inhibit the

for artists is staggering.

simply expand it."

If people like the images then

a taster, if the user likes the

creens have a resolution of about

about 250 colours, which is a long way off being good enough to

from anywhere in the world to

architects like. I see myself as

very sterile; there is a samen

exhibiting paintings on an

international network.

can see for themselves."

ecimology is an unlikely ally of art, but two private organisations in Ireland hope to change this. They aim to promote Irish art abroad by using digital technology to display paintings over the Internet, the international information network.

Toppsi is a Dublin-based bulletin board system, which has its roots in providing information systems for social services. Its founder, Martin Magnire, wants to hold an international art exhibition over the Internet. It will be initially targeted to 15 EU capitals and extended to include Toronto, New York, and Los Angeles, featuring local artists from each city.

Fifty paintings will be scanned

in at each site, stored on a central server in Dublin, and then relayed over the Internet to art galleries and museums in each city. Each site will have a high-quality printer and prints will be sold for around £35 each. Internet users will later be able

to dial into the server in Dublin and download images of the paintings. Maguire also plans to publish the exhibition on CD. Another Internet provider based in Galway on the west cost has already taken steps to bring Irish art to the rest of the world. Ireland On-line is running a pilot scheme for Kennys book shop

and art gallery. Kennys is well known in mic circles as a provider of Irish-interest books. Its customers include US universities and libraries

Kennys is also famous among the artistic community for its exhibitions of Irish artists. Driven by the need to communicate with its US customers and a desire to promote its art exhibitions, Kennys will put a database of all its books on the Internet and offer a free service for people who want to go on-line and get a sneak preview of the next exhibition. The service provides biographies of the artists and examples of their work.

One of the artists whose work is displayed on the system is Kenneth Webb, known for his watercolours and depictions of

Want to send roses to your sweetheart buy a new car. choose a cookbool for your mother's birthday or purchase computer soft-

ware One of the quickest, if not the cheapest, ways to make these pur-chases in the US is via on-line computer information and communications services.

On-line computer shopping has been around for several years, but until recently most of the products available were aimed at computer hobbyists. Now the proliferation of home computers, with about one-third of US households equipped with a personal computer, is attracting the attention of a broad variety of retailers to on-line shopping as a potentially important

new sales channel. Prodigy, the on-line service jointly owned by Sears Roebuck, the US retailer, and International Business Machines, offers products from 125 merchants including Sears, Spiegel, Patagonia, L'Eggs tights and the US Postal Service. On CompuServe, another on-line service, choices range from a Brooks Brothers suit to contact lenses, life insurance or a honey-baked ham. America On-line allows subscribers to offer their homes for sale.

Shopping centres are also being built on the Internet, a global network that links an estimated 20m computer users. The Internet Shopping Network, for example, offers an "electronics superstore" offering more than 15,000 computers, software and related

Global Network Navigator, a free on-line service for explorers of the Internet, has its own "marketplace" which is supported by advertising revenues. While nobody is revenues. While nobody is predicting that computer shopping will replace every trip to the mall, on-line merchandising is expected to grow rapidly over the next few years as multimedia technology becomes cheaper and more

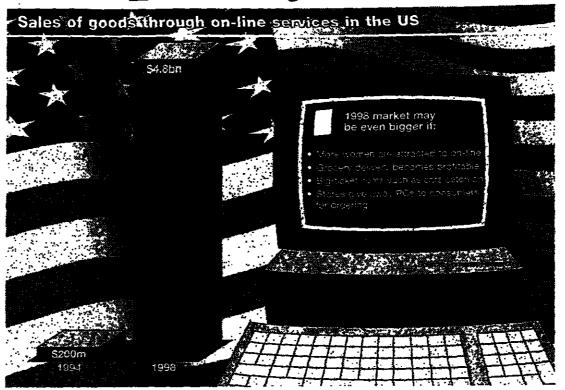
accessible to consumers. To date, on-line shopping has generated only modest sales. Less than \$200m (£132m) in goods were sold on-line in the US last year, compared with a total of \$1,500bn retail sales (of which mail order catalogues accounted for \$53bn) and \$2.5bn in sales by television home shopping channels that take orders by telephone.

However, on-line shopping will generate about \$4.8bn per year by 1998, Forrester Research, a US market research company, predicts. Growth will be driven by the proliferation of home computers and by improvements in on-line product presentation, Forrester researchers say.

The largest US publishers and

Louise Kehoe continues a series on electronic retailing with a look at the growth of shopping by home computer

On-line for a speedy sale



retailers are rushing to offer their products on-line, says Gene DeRose, head of research at Jupiter Communications, a market research company that specialises in the

"For media companies, getting means communication, new revenue

'Getting on-line prepares companies for all forms of electronic distribution'

streams and access to a fast-growing, high demographic customer base hungry for new

"More importantly, getting on-line prepares companies for all forms of electronic distribution while selling their products today to

millions of on-line consumers. The low costs of selling on-line are a big incentive for merchants. In contrast to mail order marketing, which has high upfront costs for the publication and distribution of catalogues, retailers selling on-line have minimal start-up costs and typically pay only about \$15,000 to \$30,000 annually to reach millions of

The market for on-line retailing is expanding as commercial on-line computer information and communications services such as Prodigy, America On-line and CompuServe expand. At year-end 1993, there were 3.9m subscribers to these services and this number should grow to about 5.2m by the end of 1994, according to Jupiter.

And the on-line services say their shopping centres are drawing more customers every year. The number of people coming into CompuServe's "Electronic Mall" has increased 80 per cent this year and sales are un

by more than 30 per cent. For consumers, the main attraction of computer shopping is convenience. The services draw "too busy, two-income families", say the merchants that are selling on-line. The computer can also

provide new shopping opportunities for the house-bound or disabled,

A Chicago-based venture is offering grocery shopping by computer in Chicago and San Francisco

notes Peapod, a Chicago-based venture offering grocery shopping by computer in the Chicago and

San Francisco areas. With home computer software supplied by Peapod, San Francisco consumers can shop at their local Safeway supermarket without

leaving home. On line shoppers can either wander through the "virtual supermarket" aisle by aisle, as they might when making a weekly shopping trip, go directly to specific types of products like coffee or cereals, or type in the name of the product they want. Personal shopping lists, with the items you buy regularly, can also be created.

Special requests, such as ripe bananas or fine ground coffee beans, can be added to the shopping list. Special offers available in the store are highlighted on-line and money-off coupons are accepted. The grocery order is delivered at the shopper's convenience.

z '#

exus

Bargain hunters may not, however, be impressed by computer shopping. Most of the merchandise available on-line is priced at, or above, the prices available in stores and delivery charges are typically added to the selling price.

Another shortcoming of computer shopping is that it usually lacks the pictures of products that are typically found in mail order catalogues. Although some on-line shopping services make pictures of products available, it typically takes several minutes to "paint" these pictures on to a home computer

Multimedia PCs are, however, beginning to make computer shopping malls more attractive. CompuServe, for example, recently launched a CD-Rom catalogue to augment its on-line shopping service with pictures and videos of products available. The combination of CD-Rom and on-line ordering may be a winner, Forrester's market researchers believe. While each approach has its limitations, in combination they provide the immediacy of on-line shopping and the multimedia capabilities of CD-Rom.

Today's computer shopping services are, however, quite primitive in comparison to the "interactive shopping" planned by several US cable television companies. These services will feature full video and sound and may provide customers with agents" to belp them shop.

You might, for example, have decided to purchase a sweater and trousers but be unsure about which colours would look best together. Your personal shopping "agent" could lend a hand by displaying various combinations, or even make the decision for you.

It may be several years, however, before interactive television shopping becomes widely available because it will require substantial investments by the cable television or telecommunications industry in broadband networks.

In the meantime, on-line computer shopping is drawing both retailers and consumers in increasing numbers.

PEOPLE

Turton takes up arms for Citizens

A woman tipped as a future permanent secretary in White-hall has been given the highprofile job of fronting the prime minister's drive to smarten up the public services. Genie Turton, deputy secretary in the environment department, becomes director of the Cabinet Office Citizen's Charter unit on July 11.

Turton, 48, is currently head of the cities and countryside group in the environment department and a member of the Chancellor's Private Finance panel

She is one of the growing number of senior mandarins with experience of business, gained through the Cabinet Office programme for strengthening links between the public bies as books, music and shopand private sectors. After a secondment to Midland Bank, she was a non-executive director of the Woolwich Building

Society between 1987 and 1991. A graduate of Girton College, Cambridge, Turton joined the ministry of transport as a faststream entrant in 1970. After a spell in the Cabinet Office as head of the machinery of govermment division in the early 1980s, she became director of heritage and royal estate in the environment department with responsibility for royal palaces such as Hampton Court and the Tower of London. In 1991 she was promoted to deputy secretary in charge of the

department's housing and

urban group. She lists her hob-

She replaces Brian Hilton, who returns to his old department, Trade and Industry, to take charge of the research laboratories. Hilton, 54, was spirited from the Ministry of Agriculture, Fisheries and Food in 1991 to create a unit that would implement Major's Citizen's Charter. He says he has hugely enjoyed the task of giving life to the charter. "It is now common currency in the language. It is inconceivable that we should ever return to the days when there were no standards of service in the public sector, and nobody cared whether per-formance targets were met."

■ Owen Jenkins, md of Kuwait Petroleum Benelux, has been appointed md of KUWAIT PETROLEUM (GB). Martin Anderson, director,

international corporate finance with Hill Samuel Bank, has been appointed finance director of HARRISONS & CROSFIELD.

■ Greg Tufnell, buying and merchandising director of Next men's business, is rejoining BURTON GROUP, as md on the retirement of Martin McNamee. Dawny Kitchen, formerly

a director of IBI Corporate Finance, has been appointed finance director of GREEN ■ Gareth Rhys Williams has

PROPERTY. been promoted to md of Rexham Custom, part of BOWATER.

Bodies politic

■ Peter Brown, European group md of Tomy Europe, has been elected chairman of the BRITISH TOY AND HOBBY ASSOCIATION. Richard Rowlatt, chairman and md of J Rowlatt & Sons. has been elected president of the BRITISH HARDWARE FEDERATION. Jennifer Francis, former Enterprise Development Agency, and Michael Reupke,

former general manager of

Reuters, have been appointed

members of the RADIO AUTHORITY. Bernard Legrand, executive vice-president of the Pechiney Group, has been elected president of the

INTERNATIONAL PRIMARY ALUMINIUM INSTITUTE. Bob McKinlay, former chairman of British Aerospace Airbus division, has been appointed president of the BRISTOL CHAMBER of

Commerce and Initiative. ■ Bob Simpson, director of Newman Tonks Architectural Products Sub Group, has been elected president of the GUILD OF ARCHITECTURAL IRONMONGERS ■ Peter Mitchell, strategic

affairs director at GUINNESS. has been elected president of the WORLD FEDERATION Cables. OF ADVERTISERS. Judith Shepherd, a partner at Stephenson Harwood, is to be seconded for two years to

the TAKEOVER PANEL; Mark Gearing has returned to Allen & Overy and Charles Penney returns to Lovell White Durrant at the end of

LWT millionaire quits for the BBC

Nick Elliott, managing director of LWT Productions, has become the latest senior executive to leave London Weekend Television since its takeover by Granada earlier this year. Elliott, who has worked at

LWT for the past 22 years and played a leading role in developing programmes such as London's Burning, Agatha Christie's Poirot and The Charmer, is moving to the BBC as head of drama series. The head of the drama group is Charles Denton, himself a former ITV executive.

Elliott, 50, is a close friend of John Birt, the BBC director general but it is believed that Birt was not involved in the appointment. Elliott was approached by a group of BBC executives including Alan Yentob, controller of BBC1.

He made it clear yesterday that he was not leaving because of the Granada ownership; he had actually begun his career with Granada.

After working for LWT for

more than 20 years, he had decided some time ago that he would like to change his job but for the past four years was prevented by LWT's "golden handcuffs" from moving.

As the former head of drama and director of programmes, Elhott benefited greatly from a

made around £3.5m from it. He says he will miss LWT greatly, but adds "the iob the BBC has asked me to do is an exciting challenge that I could not

His appointment is an indication that the BBC is trying to strengthen its popular drama and maintain its ratings on

BBC1. Meanwhile, the LWT board is in the process of reviewing the top management structure of the company and says a key objective is to facilitate the development and growth of LWT's programme production

'Minister without portfolio' becomes chairman of Barclays Metals Group

Green, now 59 and with 36

years' experience in the indus-

try, joined as a director soon

afterwards. He had previously

been forced out of Cerro Met-

als, where he was chief execu-

three years ago.

Barclays Metals Group, part of the metals business about the UK banking organisation, is gearing up for a further phase of expansion with the appointment of Chris Green, one of the best-known personalities in the London metals business, as chairman. It is also recruiting Peter Sellars, at present managing director of the metals division of BICC

Sellars becomes deputy chief executive, working alongside Laurence Jones, also deputy chief executive of BMG, as well as managing director of Barclays Metals Ltd, a ringdealing member of the London Metal Exchange.

since Barclays decided to enter

about his spending so much time as chairman of the LMK board

tive, because the new American owners were unhappy Leaving Cerro meant that Green was no longer eligible to serve as an LME director so

he ended up losing not just one job, but two. He said yesterday he no longer harboured ambitions for

any case, the BMG chairman-

BMG has grown quickly an LME appointment and, in

ship would give him a "higher profile" in the industry. He had been "like a minister without portfolio" since joining Barclays, in that he had no particular responsibility.

Meanwhile, Sellars' role at

BMG will be to concentrate on strategic development and Jones will continue to have responsibility for, among other things, Barclays' LMR activities. Both report to Robart Majuprize, the chief execu-

Alan Baker, a director and head of bullion at Deutsche Bank Sharps Pixley, has been elected chairman of the LONDON BULLION MARKET





It used to be said, "you can't indulge in a bit of real driving if you're sitting in the lap of luxury." But now, there is a car which enables you to do both.

Because here's a Lexus (so it must be luxurious) designed by Giorgetto Giugiaro, the man behind some of the world's most exciting cars.

It's the Lexus GS300. To use Motor Trend's words, "a luxury car with style,

stamina and a solid dash of enthusiasm." There's the description.

Here's the proof. First the luxury half of the equation. How well equipped is the Lexus GS300?

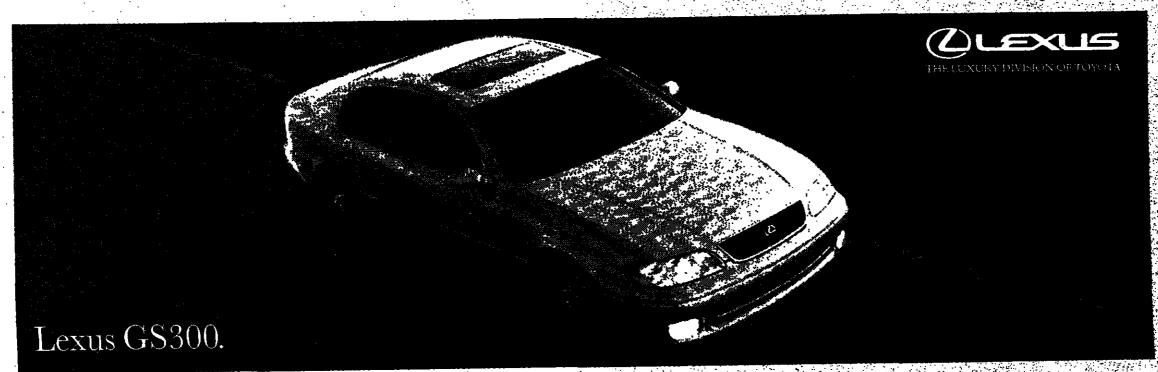
Air conditioning? Yes. Six way electronic seat adjustment? Of course. Seven speaker stereo with CD? Naturally. And for complete tranquillity just turn it off. The Lexus is as quiet a car as you'll find.

But enough about comfort for the moment. There's the driving to consider. At your right foot, 212HP (156kW.) An

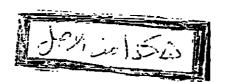
output few other six cylinder, three litre engines even match. Beneath both feet, stabiliser bars check body roll. (Specially sculptured seats check the other kind of body roll, incidentally.)

Double wishbone suspension keeps the wheels perpendicular to the road (should the urge to test the laws of physics get the better of you).

Why not see your Lexus dealer about the GS300? You'll soon realise that being driven by ambition doesn't exclude you from having the ambition to drive.



The new Lexus. What the driven will want to drive.



Charged up over competition law

David Waller reports on why American Express's credit card promotion hit legal barriers in Germany

Produce a credit card in a German shop or restaurant and it is likely that the proprietor will look at you with consternation, before explaining that plastic is strengst verboten and that D-Marks or Eurocheques are the only means of payment

There are just 8.9m credit and charge cards in Germany, compared with 37m in the UK. making Germany one of the least developed plastic card markets among Europe's leading economies. Relative to the size of the economy and its 80m population. Germany is the most important plastic card market in Europe, says Colm Lorigan, senior counsel for Europe at American Express International in Frankfurt. Cracking the market is no easy

The amendments passed by the German parliament leave American Express 'stranded'

matter, though, and not only

because of deep-seated cultural hostility to credit and charge cards. Marketing tactics which are standard in other countries can hit legal barriers in Germany, as American Express found after

launching a promotion for its product in November last year. That month, cardholders in Germany received with their monthly statement a brochure outlining American Express Membership Miles, a promotional scheme which the company has introduced in the TIS and other European countries. The scheme offered members bonus points for each D-Mark they spent on the card. These points could be used towards air travel with three airlines and hotel accommodation.

Although the programme was successful - spending by cardmembers enrolled in the scheme rose by 50 per cent – the promotion had to be quickly

launch, American Express was sued by an organisation called the Zentrale zur Bekämpfung unlanteren Wettbewerbs, the Centre for Combating Unfair Competition, a Wiesbaden-bar body which has policed Germany's competition law since early this century. The company was charged with breaching the so-called Zugabeverordnung, law which prevents the offer of free gifts in connection with the

sale of goods. The Zugabeverordnung goes hand in hand with the Rabattaesetz, forbidding the offer of certain types of discounts, and Ladenschutzgesetz, which limits

shops' opening times.

All three laws were introduced in the early 1930s to protect small shopkeepers from free competition, and are still popular with shopkeepers today. Last year the government unveiled plans to abolish all three as an unnecessary impediment to

competition. But so great was the uproar from shopkeepers and unions that Chancellor Kohl intervened personally to ensure that Ladenschutzgesetz would remain until after this autumn's elections. Contrary to the government's original plans, the Zugabeverordnung and the Rabattgesetz were not abolished but merely amended.

The amendments, passed by the German parliament last week, leave American Express "stranded", complains Lorigan.

Under the revised Rabattgesetz, service providers such as the Bundesbahn, the federal railway network, or Lufthansa, the soon-to-be-privatised German airline, can offer discounts to their own customers. But American Express is caught by the Zugabeverordnung, which still holds that the offer of another company's products (in this case, ilights) is not permitted as a means to boost your own sales (in this instance, spending on the American Express card).

Lorigan said that American

- with launch expenses of at least DM1m - knowing that there could be legal difficulties. But it had hoped that the Zugabeverordness and the Rabattoesetz would be

The legal structure of the offer was also designed to take advantage of EU legislation guaranteeing free trade of goods and services across European borders: the offer to German card-members is technically administered out of France.

But recent European Court case law has gone against American Express, suggesting that foreign companies operating in a second country cannot claim that their freedom to trade is being muzzled if domestic competitors suffer the same restrictions.

While American Express prepares an intensive lobbying campaign in the US and Europe

Marcus Kisseler savs the American Express scheme is in breach of the Zugabeverordnung

to support its case, Lorigan claims that it has suffered discrimination at the hands of the Zentrale because it is a foreign company. He notes that the bonus scheme started by Lufthansa - the Miles and More promotion which has attracted 900,000 members since last year – was permitted by the Zentrale last year even when it was manifestly in breach of the

Marcel Kisseler, head of the Zentrale, dismisses the claim. He says the American Express scheme is in breach of the

After an unsuccessful appeal against the original lawsuit, American Express is now permitted to continue with the service, but not to advertise it. This means that it is effectively dead as a promotions tool, and will remain so for years as litigation with the Zentrale

t least there was no army of aggrieved consumers. But the public relation.

Crisis facing Norwich

in the wake of Union this summer in the wake of its highly embarrassing regulatory troubles has been serious by any

standards. The problem first surfaced publicly on 29 March when the company, one of the UK's largest insurers, announced that its 600-strong direct life insurance and pensions sales force, as well as some 200 sales agents in companies acting for the insurer, were being temporarily suspended for retraining.

That statement came some months after NU had identified serious weaknesses in its selling pro-cess which it had begun working to rectify. Unfortunately for the company its initial plans were overtaken by Lautro, the regulator for the life insurance industry, which insisted on more radical remedial action, including taking the sales force off the road for a month.

The March announcement means that NU had to deliver an effective training programme within a short space of time. It then had to cope with another blast of bad publicity at the end of April, when Lautro imposed a record fine of £300,000 on the insurer for its failures to meet proper standards

The new training programme is made up of three elements. The first entails sitting the Financial Planning Certificate, the basic qualifica-tion for independent financial advisers, which is administered by the Chartered Insurance Institute.

The second is a test of knowledge of Norwich Union products, covering both regulatory issues and the products themselves.

The third test involves a residential sales skills course, based on videoed role play: a sales agent interviews a colleague acting as a client and has to gather enough information to make a recommendation. The following day there is another videoed interview, in which the recommendation is put to the "cli-

While the sales skills assessment has been praised by those who have taken part in it, NU has faced some criticism from participants for relying too much in the rest of the programme on sales agents studying by themselves and not enough on lectures.

Gary Cornish was among the 60 per cent of NU sales agents who passed all elements of the course at the first attempt. "The [sales skills] course was very well done. Before that course it was ludicrous, we were just told to read the manuals."

One extra difficulty faced by NU was managing the introduction of a Norwich Union's 800

fined £300,000 by life watchdog

Norwich Union sends salesmen back to school

salesmen suspended £300,000 'misconduct' salesmen suspensed representative fine on insurance giant in the same for the same in the

Norwich Union suspends pensions direct sales force

giant fined £300,000

Back from the brink

Alison Smith on Norwich Union's troubles in an increasingly tough regulatory market

representatives - firms of financial advisers who do not work for NU directly but act solely for the insurer. Previously there had been

Philip Scott, NU life and pensions general manager, says that the appointed representatives, used to running their own businesses, were in some cases less inclined than the direct sales force to be told by NU how they should sell life

which NU reached this point. "We were very angry, particularly because we felt it was avoidable," he says. "There were enough people telling NU they were not happy with the quality of training." He believes the failure to act earlier was a symptom of a more general

malaise of "corporate arrogance". Scott and Jayne-Anne Gadhia, who set up the training arrange-

Some sales agents have met negative reactions from customers

insurance and pensions. Significantly perhaps, the pass rate for all elements of the training programme at the first attempt was lower among appointed representatives - at 40 per cent.

Robin Sainty, who runs Integrated Business Analysis which acts for NU, has a rather different perspective. His team of advisers has all passed the training pro-

ments, emphasise the benefits to those who have passed the programme. "The vast majority of them are proud of their achievement because they know they have been through a testing process," Scott says.

Whether that sense of pride is as strong for those who manage to succeed only at later attempts remains to be seen. Over the coming weeks

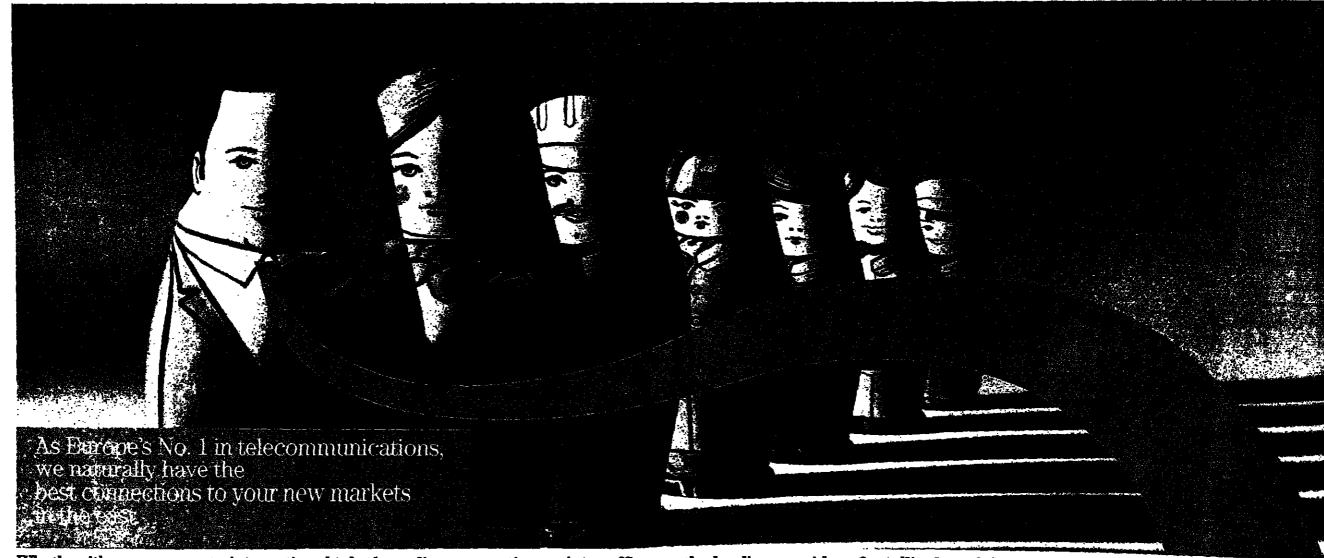
is sharply critical of the way in at their last chance lose their

Even among the first successful sales agents, there have been mixed feelings as they meet negative reactions from customers.

"When I first came back I was very pleased to have passed all the exams, but that has been followed by several lows," says Stewart Davidson, who loined NU last autumn, as he talks of decisions deferred and customers who have gone elsewhere in the meantime.

Sainty reports some negative feedback from potential, if not existing, customers, though he sees a longer-term benefit from the improvements in the sales process. The next couple of months will inevitably be a bit sticky, but then we will be back beyond where we were: September is my target date for getting back into full swing." he

NU can take comfort from knowing that although it has been the first to face this difficulty, in an increasingly harsh regulatory cli-



Whether it's easy access to international telephone lines, or setting up inter-office computer links, fast and efficient two-way communications are an absolute must for western companies doing business in the emerging markets of eastern Europe. Unfortunately, the existing public networks in these countries cannot cope with the traffic demand and this creates a severe problem for many companies.

The solution? Take advantage of our enviable eastern connections. Thanks to our modern satellite capabilities, Telekom can help you create and build up your own exclusive state-of-the-art east/west communication links in an impressively short time, and always at a competitive cost. As a leading and active member of the international satellite operator associations, we have access to the world's largest satellite capacities. Our considerable experience and in-depth knowledge of satellite technology, allows us to give you total support in realizing your needs. Our expertise in turn, is backed by a history of close cooperation with our neighbouring telecommunications authorities in the east. It is, therefore, no surprise that Telekom is

the leading provider of satellite based data networks and services in eastern Europe. We have many other customized solutions to help you. For example, "DELOS" is a Telekom service that has been especially developed for companies who need direct access from eastern Europe to Germany's telephone network

and the world beyond. You can enjoy high quality two-way voice, fax and data transfer and avoid the frustration of waiting for a free line.

So – if a demanding communications challenge is looming on your eastern horizon, have a word with Europe's No. 1 - Telekom.

Telecommunications made in Germany. We tie markets together.





Cinema/Nigel Andrews

Cautionary tales of the cultural divide

he tug-of-war custody hearing over the British film industry continues this week, with important new testimony from both sides.

The evidence produced on behalf of the first party. Mr America, is the movie Shopping. Paul Anderson's urban thriller – a loud, dark-toned, pacy British film made in the style of that currently popular retro-genre, "film noir" – will be used to show that Hollywood has been powerfully influential in the forming of modern UK screen culture.

Amoral Am

But Miss Europe, who was of course Mr America's common-law partner until a recent quarrel involving a Gatt, will claim that John Schlesinger's The Innocent proves the opposite: that this version of Ian McEwan's Cold War novel set in moody murder-prone Berlin shows that the last best hope for British film is an alliance with our friends across the Channel. Look at the evidence. Exhibit A: British director and leading man (Anthony Hopkins). Exhibit B: Italian leading lady (Isabella Rossel-lini). Exhibit C: German locations and co-funding.

Each side is then expected to

attack the other mercilessly for its poor record of care and guardianship. Mr America will accuse Miss Europe of involving Britain in the deadly quagmire of the "Euro-pud-ding" and will point out certain specific shortcomings in The Innocent. Its peculiar compote casting, for starters. Why is Sir Anthony Hopkins playing an American army officer - with an appalling sub-James Cagney accent - while America's Campbell Scott (better accented) plays the young British telephone

engineer Leonard, brought to Berlin

THE INNOCENT (18) John Schlesinger

> SHOPPING (18) Paul Anderson

BEVERLY HILLS COP 3 (15) John Landis

> **ROBOCOP 3 (15)** Fred Dekker

in 1955 to help with an anti-Soviet

surveillance scheme?

McEwan's novel was a bizarre blend of Le Carré spy stuff with sex, passion and murder. When Leonard falls for the German Maria (played in the film by the Italian Miss Rossellini), a nasty encounter with her husband ends in death and dismemberment. "What will the lovers do with the body?" becomes the novel's big question, until finally the object is folded cunningly, ironi-

cally into the espionage plot. Schlesinger's film is best when most intimate. Scott excels as the fussy, virginal communications boffin marooned in a cut-off world ~ his dingy love nest - with the distraught, high-strung girl and the carnage she brings him.

But whenever the film moves out into the "real" world, all reality ceases. Schlesinger promises much with a virtuoso opening tracking shot through a crowded, babbling hotel lobby. But then the individual voices start. Hopkins's "You dirdy rat" American; a number of German supporting actors dubbed into transatlantic; and finally Miss R herself, who is fine right up to the last scene when she too is tipped

gy-voiced tearful parting on a foggy airfield seems like a crazed reprise of her mother's finest hour in Casa-

After Mr America has had his say about The Innocent, and the mish mash of vagabond ingredients typical of Euro-puddings, Miss Europe will have her say about Shopping. She will attack the delinquent tendencies of an ex-colonial culture based on the worship of crime and violence. Shopping which stars Sadie Frost and Jude Law as two Sadie Prost and Jude Law as two car-stealing "ram-raiders," who like to enter shops through the shop window, is, she will point out, like Bonnie And Chyde meets Absolute Beginners, possibly over the prone body of Blade Rumer.

Over the ton virual atmospherics

Over-the-top visual atmospherics mist and smoke, Stygian chiaroscuro, drizzie haloed street lights -are wedded to daft script-lines. The exchange earning the largest giggle at the press show came when Mr Law ventures to plant a tentative kiss on Miss Frost's lips and she says "Cut it, Joe, this is the 90s. Sex isn't safe anymore." Nor, in the wrong hands, is portentous epochal dialogue. The film is a second-rate, second-hand thriller in debt, far beyond repayment, to its Hollywood

The judge presiding over the custody hearing will admit that he finds this case difficult to resolve. Each side, America and Europe, has powerful arguments concerning the decrepit artistic standards of the other. After long consideration, though, he has made his decision. He will award custody to neither party. He will instead urge and if necessary compel the British film industry to become self-reliant. For a short time it will be made a ward



'Bonnie and Clyde' meets 'Absolute Beginners': Sadie Frost in Paul Anderson's 'Shopping'

of court. Then it will be required to make its own way in the world with no more than a minimal reliance on any other nation.

It will not be allowed to beg at Number Ten Downing Street, nor to spend its life creeping towards the EC or US for cultural resuscitation. Soon rather than late it must learn how to please and interest other cultures and societies, without compromising its own culture or treating its own society as a charity

After all (sums up the judge), if Four Weddings And A Funeral and The Crying Game and A Fish Called Wanda and My Beautiful Laun-drette can do it, so can everyone

In the week of Beverly Hills Cop 3 and Robocop 3, what better time to distance ourselves from Hollywood? When sequel sagas hit stage three, three things happen. Script inven-tion plummets. Plots reach for tortured novelties of location or motivation: in BHC3 a theme park, in R3 a whole lot of inner-city anarchy requiring emergency policing. And favourite actors drop out.

So no Peter Weller as Robocop. His lips and jaw – nothing else being visible below the hydraulically whining visor - are replaced by those of Robert Burke. And over in Beverly Hills no John Ashton, who for two films played fat-soleton police sidekick (alongside tall-slim Judge Reinhold) to Eddie Murphy's grinning dementia praecox case from Detroit. Mr Murphy has now been seconded to California so often that we wonder why he does not keep a hotel room there. Beverty Hills Cop

tics. Its desperation is most evident in the wheeling forth of Bronson Pinchot, who stole *Cop 1* with his fluttery, shrieking art gallery owner and who is asked to do it again here - no, to overdo it - so that he becomes victim rather than saviour. Robocop 3 features another cop called Murphy (hero's name not per-

3 is an exhausted replay of the old

former's) and also begins in Detroit. But this film has the sense to stay there. Here is the much-loved Motown sound: not Diana Ross but

the music of crashing cars, screaming extras and our hero's bullet-zapping bio-metallic arms. Here too, for 20 minutes of tolerable reacquaint-ance, is Hollywood's attempt to force the futurist vision of Lang's Metropolis into intimacy with the weaponry of the Star Wars era. Then, like the other film, it tail-

spins into diminising circles. Should they not have combined the two trequels and given us Bev-erly Hills Robocop? That way familiarity could have been spiced with hybridisation. And we would have warmed to the idea of a knockabout black cop clamped in a head-to-toe metal casing from which only the best wisdoms and witticisms would

Theatre/Alastair Macaulay

Storey's 'Home' revived

Tou should have seen it with Gielgud and Richardson: the people who said that two years ago about David Leveaux's staging of Pinter's 1976 No Man's Land can say it again now about his staging of David Storey's 1970 Home. They are, of course, right yet they miss the point. Home, like No Man's Land, is less substantial without its great original double-act, but it still holds together remarkably well. Its new cast, led by the well-known double-act of Paul Eddington and Richard Briers, completely holds the attention, shifting between comedy and poignance with consum-

This is the more impressive, since nothing happens in Home more eventful than a minor character lifting furniture and removing it from the stage. The "home" of the title, the play gradually allows us to realise, is an institution for the mentally disturbed. A large part of the play's comic entertainment consists of wandering small talk between the two men, and a large part of its painful impact lies in what they leave unsaid - with the anguish they can never bring themselves to address in

Harry and Jack are educated and clubbable upper-middle-class types, so sensitive that, if someone else so much as suggests that a spade might be a spade, they hasten to discuss the weather. The play's most striking irony lies in their conversations with the dissimilar Marjorie and Kathleen, who are lower-class, outspoken, quite prepared to air sexual, lavatorial, and psychological issues - and thereby

expose the pathetic evasiveness of the two men.

It was Gielgud, as Harry, whose performance left the most indelible and affecting impression on me when in my teens I saw a TV broadcast of the original cast. Yet Paul Eddington's account of the same role is so fully alive to the larger mental issues that dwell amid the details of the play, that Gielgud's ghost never haunts the stage; an exorcism even more successful than his account of the Gielgud role in No Man's Land.

ddington's Harry is a ravaged shell. It helps that he now looks far more haggard than two years ago; more vital, however, is the beautiful weight of sorrow he conveys. It is there before he speaks a word, simply as he closes his eyes on first sitting down alone. And it is there at the end in the hush in which he says "The sun has set". His mastery of comedy surfaces to marvellous effect in tiny crises of uncertainty, as when Jack asserts that a friend of his "was introduced to George VI at Waterloo". With utter tact, yet also with appalled bewilderment, Eddington simply echoes "Waterloo?" "The station", Jack

explains, and relief returns. Every device in Richard Briers's armoury works to characterise Jack to fine effect: light charm, merry chuckle, mouth hanging open in pleasant stupidity, ingratiating cuteness, spiffing delivery of ordinary banter. Briers does nothing wrong, but his way of tackling the role's inner misery is flyweight. Richardson brought to the role, among other

ing me how he surely delivered the lines. Briers's mental pain remains hidden from us, as Eddington's does not. Nor is anything in Briers's performance a surprise.

The roles of Marjorie and Kathleen are harder to achieve with complete success. Storey gives them a kind of verbal shorthand, with few pronouns or verbs, that seems mannered now. This apart, both Brenda Bruce and Rowena Cooper catch the contradictions that make each roles interesting. Bruce's Marjorie is hard, sceptical, only sometimes revealing the tenderness that has made her sometimes wail for days; Cooper's Kathleen hardly ever lets a radiant grin leave her face, even as she talks of her several suicide attempts.

In terms of the larger history of modern theatre, Home is not a momentous play. It has clear echoes of Beckett (Godot, Happy Days), and its treatment of mental disturbance is scarcely radical. But so what? It is written with such skill that the attention never flags, and its ambiguity of tone is compelling. I have a few minor cavils about Leveaux's staging. (Some pauses should have been weightier, the women are sometimes too close to caricature, the role of Alfred is miscast, and one change of lighting says too obviously "The mood darkens".) But everything about this 24-year-old play is alive; the ensemble playing is exemplary; and Eddington gives one of the finest performances now before the London public.

At Wyndham's Theatre

Concert/Richard Fairman

Sanderling's Brahms

he gigantic themed festivals that towered over London's musical life in the late 1980s have disappeared. In the present economic conditions the nearest one comes to anything similar is the short series, which is never so adventurous: the Philharmonia has scheduled a Beethoven symphony cycle next season and a Brahms cycle to end this one. These would not be of any import, were it not for the conductors - Harnoncourt for the Beethoven, Kurt Sanderling for the Brahms. Keen record collectors may have come across a cycle of the Brahms symphonies with Sanderling and the Dresden Staatskapelle. Although the sound quality from the original East German

the two great Brahms conductors of the day. Those performances were characterised by a strict, almost fierce, adherence to the ideal of Brahms as a classicist. Over the years Sanderling's outlook seems to have mellowed a little (can he really be 81 when he is only just starting to go grey?) but the classical discipline is still in place. His Brahms now is very much the

tapes was poor, there was no

mistaking that here was one of

product of maturity - wise and noble, absolutely unforced. What a splendid move on the part of the Philharmonia to bring him to London for these

four concerts, featuring the

symphonies and the concertos. In Tuesday's opening pro-gramme he held the First Symphony to a steady pace, though without digging into the rhythms as trenchantly as he used to. He also kept the Philharmonia's enthusiastic timpanist firmly under wraps. There was to be no over-em-

phasis, no hammering home of climaxes too early. Only a conductor who had years of experience would dare restrain the symphony for so long, holding off the resolution right until the triumphal brass chorale of the finale. In these last years Sanderling's mastery becomes ever more subtle and unpredictable, but it is there nonetheless. The Philharmonia, significantly Klemperer's old orchestra, played well for him.

The First Piano Concerto was more problematical. Sanderling set out at a magisterial pace, sinking down founda-tions of granite. Unfortunately, the pianist, Mitsuko Uchida, needed speed above all to compensate for her lack of weight. The result oscillated uneasily between one type of Brahms and another, hers headlong and shallow-toned, his patient and massive. Despite some exquisite moments in Uchida's slow movement, I know whose side I was on.

Sponsored by AFG, Automotive & Financial Group. The other three concerts are on June 26, 28 and 30



Compelling: Richard Briers and Paul Eddington



ATHENS

ATHENS FESTIVAL

The international programme of the 1994 festival opens on Sat with a Three Divas concert featuring Grace Bumbry, Katia Ricciaretti and Lucia Valentini-Terrani. Riccardo Chailiy and the Concertgebouw Orchestra give concerts next Mon and Wed, featuring Tchaikovsky's First Piano Concerto (Lazar Berman) and symphonies by Brahms and Mahler. Other visitors over the next two months include the Peter Hall Company production of Hamlet, Cristina Hoyos Ballet and the Vienna Philharmonic, St Petersburg Philharmonic and Berlin Symphony Orchestras. Most events take place at the Odeon of Herodes Atticus (Athens Festival, 4 Stadiou Street, in the arcade. Tel 01-322 1459/ 01-322 3111)

■ BARCELONA

Richard Bonynge conducts performances of Lucia di Lammermoor at Palau Sant'Jordi on June 28, July 2, 6 and 10, with

cast headed by Edita Gruberova and Alfredo Kraus (318 9122)

■ FLORENCE MAGGIO MUSICALE

Sernyon Bychkov conducts concert performances of Shostakovich's ady Macbeth of Mtsensk tonight and Mon at Teatro Communale, with cast headed by Tatyana Poloektova and Jan Blinkhof. Lorin Maazel conducts Pittsburgh Symphony Orchestra on Tues in works by Rakhmaninov and Ravel The Maggio Orchestra brings the festival to an end next Thurs and Fri with Beethoven's Ninth Symphony (055-277 9236)

GENOA

Teatro Carlo Felice Sat and Sun fternoons, next Tues evening: Gianandrea Gavazzeni conducts final performances of Filippo Crivelli's production of Leoncavallo's operetta La reginetta delle rose, ith cast headed by Denia Gavazzeni Mazzola and Luca Canonici (010-589329)

■ LONDON

THEATRE The Cryptogram: world premiere of David Mamet's new play about the relationship between a woman, her child and a male visitor. Stand-up comedian Eddle Izzard makes his serious acting debut alongside Lindsav Duncan. Now In previews, opens next Wed (Ambassadors 071-836 6111) Glengamy Glen Ross: Sam Mendes directs David Mamet's 1983

and the state of t

alesmen whose insecure egos thrive or perish in the claustrophobic atmosphere of a downtown office.

071-867 1150) The Birthday Party: Sam Mendes' revival of Harold Pinter's second play features Bob Peck, Anton Lesser, Dora Bryan and Nicholas Woodeson, in repertory at the Lyttelton with Richard Eyre's new production of Sweet Bird of Youth, Tennessee Williams' 1959 drama (National 071-928 2252) Murder in the Cathedral:

Stephen Pimiott directs a new RSC production of T.S. Elict's greatest play. In repertory with Ibsen's ts, directed by Katie Mitchell (The Pit 071-638 8891) ■ Arcadia: Tom Stoppard's witty

and mind-expanding masterpiece, combining intellectual debate with depth of feeling. Roger Allam and Joanne Pearce head Trevor Nunn's new cast in this West End transfer of a production originally staged at the National (Haymarket 071-930

 The Queen and I: Pam Ferris plays the Queen in Sue Townsend's stage version of her bestselling novel which places the Royal Family on a housing estate. Directed by Max Stafford-Clark (Royal Court

071-730 1745) Copacabana: Barry Manilow's musical opens tonight with Gary Wilmot in the lead role (Prince of Wales 071-839 5987)

 Fiddler on the Roof: Topol returns to play Tevye in this 12-week season of the Book and Hamick musical. Now in previews, opens next Tues (London Palladium 071-494 5021)

A Midsummer Night's Dream;

Deborah Paige directs Shakespeare's supernatural tale In the open-air setting of Regent's Park (Open Air 071-486 2431) OPERA/DANCE

Covent Garden The Royal Ballet gives the world premiere on Sat of Ashley Page's Fearful Symmetries, set to music by John Adams, as part of a mixed bill including MacMillan's Danses concertantes and Winter Dreams. There are also performances of Anthony Dowell's staging of the Baryshnikov production of Don Quixote next Wed, Thurs and Sat. The Royal Opera has a new production of Alda, conducted by Edward Downes and staged by Elijah Moshinsky, with cast headed by Cheryl Studer, Luciana D'Intino,

Alexandru Agache and Robert Lloyd (071-240 1066) Cofiseum ENO's season runs till July 2 with performances of Jenufa, La boheme and Peter Grimes

(071-836 3161) Sadler's Wells London City Ballet presents Coppelia tonight, tomorrow and Sat. The Cape Ballet, a mutti-racial dance group from South Africa, opens a two-week season on Tues with the first of two programmes (071-278 8916) CONCERTS

South Bank Centre Tonight: Midnight Follies Orchestra pay tribute to Adelaide Hall of the Cotton Club. Sat: Mark Shanahan conducts Forest Philharmonic in Berlioz's La Damnation de Faust, with Adrian Martin and Della Jones. Sun, next Tues and Thurs: Kurt Sanderling conducts Philharmonia Orchestra in works by Brahms. Wed: Edward Downes conducts BBC Philharmonic in Delius, Holst and Elgar, with cello

soloist Lynn Harrell (071-928 8800) Barbican Tonight: Kent Nagano conducts LSO in works by Ravel, John Adams and Prokofiev, with violin soloist Gidon Kremer. Tomorrow, Mon and Wed: Borodin Quartet continues its cycle of Shostakovich string quartets. Next Thurs: Mariss Jansons conducts LSO, with piano soloist Alfred Brendel (071-638 8891)

■ MADRID

Teatro Lirico La Zarzuela Tomorrow, Sun, next Tues: Antoni Ros Marba conducts José Carlos Plaza's production of Wozzeck, with cast headed by Gerardo Vera, Anja Silja and Graham Clark. Mon: Maria Bayo song recital (01-429 8225)

■ MILAN

Teatro alla Scala Tonight: Pierre Boulez conducts Ensemble InterContemporain in works by Varese. Mon: Wolfgang Sawalisch conducts revival of Glorgio Strehler's production of Die Entführung aus dem Serail, with cast headed by Mariella Devia, Barbara Kilduff, Kurt Moll and Kurt Strett (repeated June 29, July 1, 4, 5, 7, 9, 12). Next Tues and Thurs: Rigoletto (02-7200 3744)

■ RAVENNA

Highlights of this year's Ravenna Festival include a concert tomorrow by the Dresden Staatskapelle under Giuseppe Sinopoli, the Scala Orchestra under Wolfgang Sawallisch on July 3, a staging of Bellini's Norma starring Jane Eaglen on July 16 and performances of Verdi's Requiem conducted by

Riccardo Muti on July 20 and 22 (0544-32577)

with a Poulenc double-bill - his

■ SPOLETO The 1994 festival opened last night

surreal opera Les mamelles de Tirésias paired with a reconstruction of Nijinska's original choreography for Les Biches (repeated June 25. 29, July 1, 3, 6, 9). Wozzeck opens on July 2 in a staging by Gunter Krämer, conducted by Christian Badea. The dance programme et de Lorraine (opening tonight with quest soloist Alessandra Ferri). Martha Graham Dance Company (June 29-July 3) and Roland Petit's Ballet National de Marseille (July 5-9). The drama programme includes the St Petersburg Maly Theatre and Arthur Miller's The Last Yankee (Tickets and information from Teatro Nuovo 0743-40265)

TURIN

Teatro Regio Tonight, Sat, Sun afternoon, next Tues afternoon and Thurs: Bruno Campanella conducts Roberto De Simone's production of La Cenerentola, with cast headed by Jennifer Larmore/Susanne Mentzer, Rockwell Blake/Mario Zeffiri. Enzo Dara and Michele Pertusi (011-881 5214)

■ VERONA

Arena The season opens on July 8 with Bellini's Norma. This year's programme also includes La bohema, Otello, Aida and Nabucco, plus a gaia for Placido Domingo on August 9 (045-596517)

ARTS GUIDE

Monday: Berlin, New York and Paris. Tuesday: Austria, Belgium,

Netherlands, Switzerland, Chi-cago, Washington. Wednesday: France, Gernany, Scandina many, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.

European Cable and Satellite Business TV (Central European Time) MONDAY TO FRIDAY NBC/Super Channel: FT Susiness Today 1330; FT Business Tonight 1730, 2230

NBC/Super Channel: FT Reports 1230.

TUESDAY Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY NBC/Super Channel: FT Reports 1230

FRIDAY NBC/Super Channel: FT Reports 1230 Sky News: FT Reports 0230, 2030

SUNDAY NBC/Super Channel: FT Reports 2230 Sky News: FT Reports 0430,

Enigma at the heart of the bloke

hail-fellow-well-met quality, always pop-_ ping up on our tele vision screens or disturbing a quiet breakfast by trying to outshout the presenter of BBC radio's *Today* programme. But Kenneth Clarke, Britain's chancellor, is still a puzzle.

He defies easy categorisation. He hails by tradition and intellect from the left of the Conservative party, but has nevertheless spearheaded some of the most bruising confrontations between government and doctors, ambulance workers and teachers. Although a stickler for upholding the powers of Parliament, he has facilitated a steady increase in the Bank of England's say in monetary policy. Then there is the sartorially challenged Clarke with his famously crumpled suits and suede Hush Puppy shoes. These are shouting out a message of some sort: but what?

This book, in spite or per-haps because of being "completed with Mr Clarke's full co-operation", leaves the reader still unclear as to what really makes this ambitious politician tick. However. author Malcolm Balen, the editor of BBC TV's Nine O'Clock News, has provided the next best thing in this readable account of the ups and downs in a career that put Clarke in charge of the UK's health, education, law and order and now

It would be a heroic story if John Major had not already overcome greater handicaps in his background to become prime minister. But the tale of the Nottinghamshire watchrepairer's son (from what Tory canvassers would identify as a C2 skilled working-class family) who resolved early in life to become an MP and who has climbed high enough up the Tory party's greasy pole to eye the prime minister's job is still sufficiently unusual and topical to be worth telling.

Of obvious importance were the scholarship successes to the upmarket Nottingham High School and to Cambridge. and the discovery of likeminded souls at university who were later to form a "Cambridge mafia" of friends and rivals in the Tory governKENNETH CLARKE By Malcolm Balen Fourth Estate, 302 pages, hardback £18.99

stable family life, which Clarke takes care to keep out of the public eye, and outside interests such as jazz have doubtgiven him greater staying power than many politi-

But the story is not without its dark moments. Clarke's mother developed a drink problem when he was in his teens and, according to his younger brother Michael, died an alcoholic. While Clarke's childhood appears to have been happy enough, Balen suggests that he started early in life to fashion a tough outer shell. Many people in these pages

describe Clarke as "self-contained". Balen says his subject is "a gregarious man who is intensely private" and "an uncomplicated enigma". For Michael Clarke, "Ken is like an iceberg. Seventy five per cent where he's got, he must be like that. I'm not saying his personality is a façade - it isn't - but there's a very large inner person. He can be very emotional. But he tends to detach him-

That submerged 75 per cent no doubt helped Clarke through the frustrations of the 1980s. As not "one of us" he failed for many years to pros-per under Mrs Thatcher. He only entered the cabinet in 1985 and then as Commons spokesman for the employment secretary, Lord Young. Once in high office, Clarke developed a talent for getting into fights. A love of controversy had

always been there. The book recounts how, as head of the Cambridge University Conservative Association, Clarke had caused an almighty row by inviting Oswald Mosley, the head of the British fascists in the 1930s, to speak. He rode out the storm but it delayed his rise to the politically important post of president of the Cambridge Union, the students' debating society. Similarly, Balen says Clarke's later battles with doctors and ambulance workers "set back his career and ultimately cost him ments of the 1970s and 1980s. A a place in the leadership race

slogan could apply to the entire country, as it tries to rejoin the capitalist west from when Mrs Thatcher resigned". which it was torn by Stalin in That Clarke is now chancel-1940. With a strong currency lor is a measure of the policy failure that culminated in sterand hopes of becoming a finanling's exit from the European cial centre, Latvia is emerging exchange rate mechanism and as an island of relative economic stability within the forthe presentational ineptitude mer Soviet Union. of Norman Lamont, his imme-However, Latvia's ambitions diate predecessor.

loser than Switzer-land" says the adver-

private bank in the

newly independent state of

Latvia, which nestles between Russia and the Baltic Sea. The

for a speedy reintegration with

the west are threatened by a

political problem which has festered for the past three

years: whether non-Latvians,

who make up almost half the population, should be given cit-

izenship. On Tuesday, the Lat-

vian parliament finally passed a law giving non-ethnic Latvi-

ans born in the country a

chance to apply for naturalisation by 2000. But it imposes draconian citizenship quotas

on non-Latvian residents who

were not born in the country.

These quotas mean Latvia is unlikely to join the Council of

Europe, the 32-nation forum for

human rights and democracy

regarded as a stepping-stone

for integration into western

Europe. This is because such

organisations, as part of their

membership requirements,

insist countries should not

leave residents stateless. More

importantly, the Latvian par-

liament's decision means any

longer-term ambition to join

the European Union and Nato - which Latvia sees as its best

guarantee of security and inde

further into the distance.

pendence - has been pushed

Mr Hugh Hamilton, local rep-

resentative of the Conference

on Security and Co-operation

in Europe, the 52-nation forum regulating borders and secu-

rity, said yesterday: "Interna-

tional opinion in general will

be expressing concern that this

law really does not accord with

the norms of the western com-

munity which Latvia has been

seeking to associate itself

Mr Valdis Birkavs, Latvia's

prime minister, recognised the new difficulties created by par-

liament's vote when he told

deputies: "Let us cherish no

illusions that we will wriggle

out, that nothing bad will hap-

pen. These quotas can only

The ramifications are consid-

erable. The curbs on citizen-

ship will hinder economic

progress because citizenship

brings the right to own land as

complicate matters."

Balen's book, which finishes with Clarke's tax-raising Budget of last November, wisely steers clear of predicting whether the chancellor will move next door to Number 10 Downing Street. For Clarke's performance at the Treasury will be crucial in determining whether he will one day succeed John Major as prime minister or leader of the opposi-

Clarke has so far been both lucky and skilful in running his second (after the Home Office) of the three great offices of state. From the hapless Lamont, he inherited an economy with low inflation and low interest rates that was recovering from recession. He had the guts to tackle the problem of the annual £50bn deficit head-on through unpopular tax

True, "Clarkes" took a pounding earlier this year on Westminster gossip exchange when the import of the tax increases dawned. But with the economy still growing and the setback that John Smith's death caused to the leadership hopes of Michael Heseltine, trade and industry secretary, Clarke's stock appears to be rising again - at least within the Tory party.

The nagging worry, which Balen's book does nothing to dispel, is whether Clarke is an accident waiting to happen. The book chronicles how ill considered remarks when health secretary exacerbated his disputes with the doctors and ambulance service. There was also the television debate after Black Wednesday's ERM exit in which he admitted that he had never read the Maastricht Treaty.
Such mishandling can be

excused and overcome in a battle against vested interests. But will financial markets be so forgiving if they turn against the pound and this

Held up on the western line

Leyla Boulton says Latvia's tough citizenship rules are a blemish on its international image



hampering Latvia's attempts to mend relations with Russia and restore trade ties damaged by the collapse of the Soviet

Had it been able to devise a more internationally palatable solution to the citizenship issue, Latvia would have been better placed to build on its economic strengths. Since recovering its pre-war independence in 1991, Latvia has run a near deficit-free budget. Its currency, the lat, is fully convertible and last year appreciated against the main western currencies. Under the monetarist stewardship of a fiercely independent central bank, inflation and recession have been milder in Laivia, and in next-door Estonia, than in their former

Latvia's GDP contacted by 12 ner cent last year but has returned to modest growth this year. An inflation rate of 35 per cent last year is forecast by economists to fall to about 20 per cent this year - low by the standards of the former Soviet Union. High real interest rates and lack of foreign exchange

controls have attracted capital

Soviet neighbours.

fleeing instability elsewhere in the former Soviet Union. Mr Alexander Rannikh, Russian ambassador to Latvia. described the country as "a Switzerland for second-class capital which is not ready for Switzerland but unsafe in Rus-

But the financial orthodoxy which has made Latvia a favourite of the International Monetary Fund contrasts sharply with its clumsy handling of its demographic arithmetic. As a result of the migration of Russians, Ukrainians and Byelorussians to work at factories built under Soviet rule, ethnic Latvians today account for only 52 per cent of the population, compared with three-quarters before the country's annexation in 1940.

Fearing Latvians could be swamped by "Russian-speakers", parliament decided in the run-up to independence to restrict citizenship to pre-1940 citizens and their descendants. This arrangement effectively disenfranchised 700,000 peopl who had the vote when Latvia was part of the Soviet Union. The legislation approved this

week will enable spouses of citizens, plus more than 200,000 Russian-speakers born in Latvia, to apply for citizenship by 2000. But Mr Hans-Peter Furrer, the Council of Europe's director for political affairs, said the quotas in the new law would mean only about 2,000 people born outside Latvia (out of a total of 300,000 in this category) would qualify for citizen-

ship each year after 2000. Latvia can argue that it faces a unique dilemma - few comtries, demokrabh have peen so radically altered in a relatively short period. But while sympathetic to its circumstances, Mr Furrer and the CSCE's Mr Hamilton believe Latvia could have protected its national identity and security without quotas - via, for instance, a requirement that citizens can speak Latvian.

Mr Nils Muiznieks, a US-born academic, explained the reluctance to grant citizenship as a mixture of a desire by extreme nationalists to encourage Russian speakers to leave, and fears among more moderate politicians that giving them the vote could "slow" Latvia's

market reforms and create a "fifth column" of potentially disloyal citizens. Many Russian speakers work in Sovietes a factories now likely to close and are regarded by ethnic Latvians as inclining to the east than to the west.

The irony is that many Russians, who constituted the local elite in the Soviet era, have become akin to the Jews of the Tsarist empire. Excluded from government posts, they have thrived on business, which they now dominate. Local Russian-language radio in the capital Riga plays locally-produced pop songs with lyrics about the delights of going into "biznez". Mr Boris Tsilevich, a Jewish writer who has taken up the cause of non-citizens, said a large segment of the population is being unnecessarily alienated. "If Russianspeakers turn out to be the fifth column Latvians talk about, it will have been built by Latvian hands."

erhaps more worrying is the reversal of progress in repairing rela-tions with Russia which could ensue from parliament's decision this week. Last month the two countries signed an agreement on the withdrawal of the remaining Russian troops by August 31. In return, Latvia agreed to give residence permits to retired Russian officers who decide to stay. Russia made clear its disleasure at the reappearance of quotas in the draft citizenship law earlier this month when it postponed indefinitely a planned visit to Latvia by Mr Victor Chernomyrdin, Russian prime minister. In anticipation of the visit, a trading agreement between Russia and Latvia, halving import and export duties on trade between the two countries, came into force at the beginning of this month. Latvia's eagerness to recover markets in the east is being spurred by fears that, in spite of its pro-western outlook, overpowering competition from more developed capitalist economies could see its national interests subjugated to those of foreign investors. The danger Latvia faces is of upsetting both east and west. On the one hand, the citizenship law may fuel the demands of Russian nationalists in Russia, thus creating greater regional instability. On the other hand, Latvia has harmed its chances of winning acceptance by the western organisations that could protect its

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEI 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Labels of candidates confusing

From Dr Keith Comeron. Sir, On May 12, immediately after the close of nominations, the Devon branch of the European Movement held a public meeting at which six of the eight candidates for the Devon and East Plymouth Euro-constituency were given equal

opportunity to speak.
One candidate, named to us over the telephone from the returning office shortly after 4 pm as the Direct Democracy Candidate, arrived at our meeting some three hours later as the Literal Democrat. As a result of concerns raised after the meeting we sent a fax on May 13 to the returning officer about the clear scope for confu-sion between the labels of two candidates, already both described in Express and Echo of May 13 as Liberal Democrat. We pointed out that this could have "a not inconceivable pernicious effect on the representation of this area in the European Parliament". Our request for clarification of the descrip-

tions was not acted upon.

The election result fully justifies our concerns; the Literal Democrat, unknown and with no campaigning literature, obtained some 10,000 votes by deceiving large numbers of understandably very upset electors. The Liberal Democrat was a mere 700 votes behind the Conservative. It should be noted that the misleadingly-described candidate was in a higher position on the ballot than the Liberal Democrat.

In the interests of fair and proper representation my com-mittee considers it necessary for a new election to be held in this constituency. Keith Cameron.

chairman, Devon Branch,

Lottery and fair competition

Sir, You reported in your story, "EU seeks views on Cadbury link with lottery" (June 15), on the European Commission's examination of the Camelot joint venture agreements. The Commission wishes to ensure that the agreements in no way contravene EU rules on free and fair competition. It seems likely that Camelot will have taken great care to for-mulate its agreements in such a way as to minimise the risk

of their being overturned by the EU. I wonder, however, whether as much consideration has been given to potentially serious competition issues by those who will be distributing the proceeds of the National Lottery. Such issues could arise if the distributing bodies grant funds to companies or other organisations which directly or indirectly support

compete in genuine markets.

The lottery legislation may have excluded private individnals and companies from receiving grants from the National Heritage Memorial Fund but I am not aware that any such exclusion applies, for example, to Arts Council or Sports Council funds. Competition among theatres and among sports venues, to name just two examples, could thus

Companies which bid for grants and propose to co-finance the projects concerned will surely be seeking some competitive advantage as a result. An effective subsidy for a capital project provided to just one player in a market but not other (potential) competitors, might constitute a significant barrier to the competitors' entry or growth. Grants could

I believe that such effects

independence - and bring eco-

nomic benefits - whatever hap-

pens in Russia.

could well be thought of by some non-recipients of grants as distortions of competition in their markets. The chances of this are increased by the National Lottery's high profile and the substantial funds likely to be distributed. Complaints to competition authorities seem distinctly possible. My experience is that they consider the disbursement of subsidies carefully. Some of the distributing bodies may need to think equally carefully about developing appropriate guidelines to deal with these issues if they are to avoid the authorities' investigations. Paul Rowe,

Coopers & Lybrand, 1 Embankment Place, London WC2N 6NN

Standard not necessarily to do with product quality

From Mr Alan W Bateman. Sir, As a former business director for commodity chemicals in one of the world's largest chemical companies, the attacks on BS 5750/ISO 9000 provide me with a belated sense of "I told you so" ("Qual-ity under fire", June 21). I regarded the so-called stan-

dards as one of the biggest con games ever perpetrated on the chemical industry, since they did not necessarily have anything to do with the quality of the final product or its fitness for use. If the BNS/ISO certification defines a process which is less than optimal, product quality can be affected. For chemical products of the

physical and chemical specifications agreed between the customer and the producer should be the prime criterion. The manner by which the pro-ducer makes the chemical or acquires it in the event that his plant cannot produce for any reason should be irrelevant to the customer. The guarantee to the customer must be that the product supblied is "on spec".

The only winners in the BS/ ISO game have been those that carried out the certification process which is unbelievably time-consuming and expensive. An American friend of mine (also in the chemical business)

assured me that the initials "BS" had a meaning other than "British Standard" when the number 5750 was involved. Alan W Bateman, chemical industry consultant Oberhustrasse 7,

No nannying

From Mr Edward de Bono. Sir, Many of your readers expect to find valuable and useful information in your pages. Some of them are not too happy to be patronised by an interviewer (Lucy Kellaway) who plonks her magnifi-cent ego between them and a subject they might like to learn more about ("Put on your thinking caps", June 17).

Since "parallel thinking" has now been taken up by many corporations which find it more constructive than traditional argument the personal opinion of your interviewer is probably of less value to your readers than an opportunity to find out about the method. Your readers can make up their own minds without being nannied as to what to think, Edward de Bono, L2 Albany,

Piccadilly,

Fears about biotechnology are not based on ignorance

From Dr Alon Wrelton. Sir, I feel I must take issue with David Richardson's assertion (Farmer's Viewpoint, June 21) that fears about the adequacy of biotechnology safeguards are "probably based on ignorance". While I would not dispute that genetically modifled organisms offer great potential, it is important to

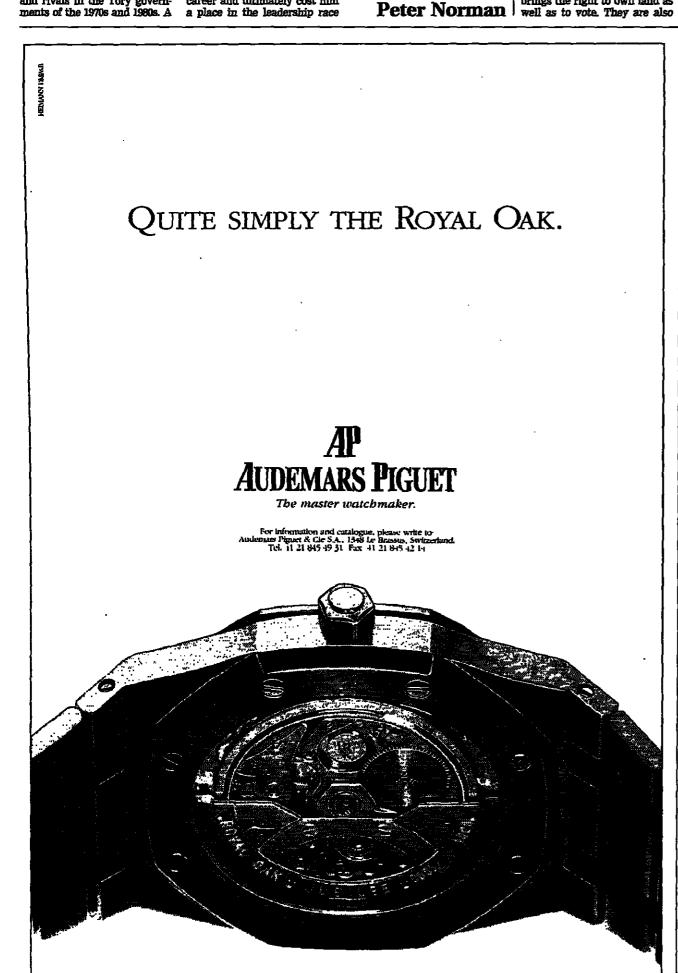
appreciate that, once released into the environment, such organisms will be outside of our immediate control and, potentially, will be subject to evolutionary and adaptive processes. One does not have to

example, it is obvious to anyone that oilseed rape is colonising set-aside land and marginal habitats, such as motorway

CH-8134 Adlismil

A genetically modified, her-bicide-resistant strain of this assume a worst-case scenario, involving the transfer of genetic material between species, to foresee problems. For crop could prove difficult to

fauna. History is littered with the good intentions of scientists who failed to consider fully the implications of their actions. I do not regard myself as an ignorant Luddite because I have no desire to see the mistakes of the past repeated - I have a PhD in biology. Alan Wrelton,



FINANCIAL TIMES

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Thursday June 23 1994

Dumping of the dollar

Dollar weakness is an old story. Until 1971, the once all-conquering greenback was worth 360 yen. Until 1969, it was worth four D-Marks. How has the mighty fallen! The questions to be asked are why this latest bout of weak-ness has occurred, whether it is possible to do something effective about it and, finally, whether action should even be attempted.

The problem in explaining the dollar's weakness is not that there are two few explanations, but that there are too many. While movements in relative interest rates in 1994 should have been favourable to the dollar, fingers can still be pointed at external balances, at fears of inflation, at the US fiscal deficit, at the Federal Reserve's somewhat modest monetary tightening since February and at the current caution of investors. It is tempting to draw the sage conchision that the dollar has been weak because too few want to buy it.

Can one do better than that?

1,014

Perhaps. If the dollar is to remain stable, the rest of the world must be a net buyer of claims on the US, at existing exchange rates, of some \$140m in 1994, says the IMF in its latest World Economic Outlook. Similarly, Japan must be a net buyer of claims on the rest of the world to the tune of \$133hm this year. Unless the US offers relatively attractive returns on assets (including on the dollar) and Japan relatively unattractive ones, these capital flows will occur only after exchange rates reach self-evidently under- or overvalued

Convinced investors

Until then, current account flows are likely to become overwhelmingly important. They are still more likely to determine the fate of the dollar once the US authorities have convinced investors that they do, foolishly, hope to eliminate the bulk of the Japanese current account surplus. The US current account deficit must then also fall, which suggests the dollar's real exchange rate will

have to decline.

Is there anything the authorities required changes in policy would can do about that decline? The push the two main players in sensible directions. Does dollar weak-angular that much? Probably rency can always stabilise the not. However unhappily, the exchange rate, by purchasing the world economy has survived 25 weakening one, without limit. years of it. It can, no doubt, sur-

anese did, following the Louvre Accord in February 1987, not an experience they wish to repeat. The problem is that they can sta-bilise the dollar only by ahandoning domestic monetary control. As Professor Ronald McKinnon pointed out in the FT on Tuesday, the two countries must, in effect, form a joint monetary policy.

Frighten speculators The effectiveness of all other measures is uncertain, limited intervention particularly so. If central banks hit the markets unawares, they can frighten spec-ulators for a while. They can make announcements, as secretary of the Treasury Bentsen did yesterday, about how strong the US economy is. Such talk is cheap and will not work for long. That leaves changes in monetary policy itself. But the effects even of that are uncertain. They depend on what happens to prospective returns on longer-term assets. If higher short-term interest rates are thought to prove that a central

changes suggested by the foreign

exchange markets are, in any case, in the right direction. Devel-

opments in the US economy and

bond markets would justify some-

what higher short-term rates of

interest and a tighter fiscal posi-

tion, the latter underlined by Mr

Alan Greenspan yesterday. Despite faint signs of recovery,

there also is a case for a more

expansionary monetary policy in Japan, something that unsterlised

foreign exchange intervention

not certain. Can something be

done about it? Yes, but nothing

decisive will be. Should something

ness matter that much? Pro

Why is the dollar weak? We are

already forgotten bank is hysterical about inflation, they may harm the cause of the the prawn cocktail offensive in the City before the last election to per-suade the City of Labour's financial responsibility? The real dangers of a currency as much as they help. The final question is whether the authorities should, in fact, try Labour government are from the to something about the dollar's harm it might inflict on its natural decline. A partial answer to this question is that the dollar's supporters through devices like ninimum wages.

Another false worry is that the decline is probably not particularly harmful. But the policy

under Labour gov-

ernments and bear

markets under

Conservative ones.

Labour leaders

are, if anything,

hypersensitive to

international and

financial market

sentiments. Have

financial analysts

eaving aside politics and the bond market, the UK

recovery is doing better than might have been

expected. Output is rising at trend rates or slightly above; that is sufficiently fast to make inroads

into unemployment and unused

capacity, but not so fast as to stoke up inflation. Indeed, the April

increase in earnings growth has, for the moment at least, reversed itself. The official index of underlying retail price inflation is 2.5 per cent.

lower than predicted in any of the

Bank of England Inflation Reports.

The Bank's own index, stripped of indirect tax increases, is even

lower, at around 2 per cent or less.

should be reassured by recent evi-

dence that the pace of home demand is moderating. Retail

spending, although well up on a

year ago, is increasing less quickly. Monetary conditions have tightened

themselves owing to the rise in

bond yields; and an increase in the cost of fixed interest mortgages has

taken the edge off the housing mar-

ket. Thus, as the world economy recovers, there should be room for

exports to take over some of the

momentum from home spending.

What, then, are the financial mar-

kets worrying about? The political weakness of the British government

is not a good explanation. There

have been plenty of bull markets

for selective

low-wage jobs

Moreover inflation worriers

present government will refuse to tighten monetary policy when the Bank of England advises it to do so. The chancellor, Kenneth Clarke, is 'philosophically' in favour of central bank independence, but does not think the time right for a full-frontal move. Meanwhile, the publication of the minutes of his monthly meetings with the governor has put the latter in the driving seat. If the Bank of England is really intent on raising interest rates - which it is not at present - the most that the chancellor is able to do, as he well recognises, is to interpose a minor delay. Moreover, a Blair-Brown Labour government would not reverse the moves made so far to

ECONOMIC VIEWPOINT

Steady as she goes but watch bonds

By Samuel Brittan

give the Bank more scope. Indeed Labour's mood at the moment is to settle for a transitional set of arrangements quite similar to the government's own.

What then is worrying markets? The source of the trouble is clearly the US. Even here, there may not be anything all that fundamental. We may simply have seen the bursting of a moderate speculative bubble. The Dow Jones Industrial Average is still much higher than in most of 1992 and 1993. The same applies to the FT-SE 100 Index in the UK. The German Dax index has seen nothing more than a hesitation in a two year upward trend.

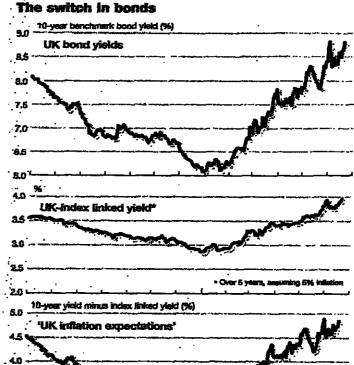
Similar remarks apply to bonds. In the US and the UK, bond yields have more than reversed their 1993 fall, but are still lower than two The chancellor is looking at ideas

years ago. The rise in German yields has been less, but sufficient to put a top-up to pay of brake on the succession those accepting short-term interest rate cuts. One way of putting what has happened is

that, a year ago, inflation was widely held to be dead and deflation declared to be the new problem. Today's perception is of a normal upward phase in the business cycle, bringing with it the familiar need for vigilance against any inflationary take-off.

The most striking feature of world financial markets is the weakness of the dollar against the yen. But this is not yet a generalised dollar weakness. The US currency is a good deal higher, for instance, against the D-Mark than it was in the closing months of the Bush administration, when it touched DM1.39. Sterling has weakened less than the dollar and it is still well above the low levels it reached after the 1992 KRM exit.

But having said all this, the weakness of bond prices will indeed become a severe warning signal if it goes much further. The rise of nearly 3 percentage points in UK bond yields since last winter can be decomposed into two elements.



There has been a rise of over 1 point in the return on index-linked securities, which now yield around 4 per cent. This is an approximation to the real rate of interest not only in the UK, but in the world - for real rates tend to equality in a worldwide capital market.

This real component of the rise in rates could be a sign that the world capital shortage, which was prema turely diagnosed after the fall of the Berlin wall, has at last really arrived. In the words of David Hale of Kemper Financial Services, "the potential exists for the old industrial countries to experience a cyclical economic recovery coincident with rapid economic growth in countries making the transition to

Europe's pensions quandary

market-based economic systems. This is likely to put upward pressure on real interest rates, because it will generate investment activity and credit demand from countries which have not been players since the first world war." In addition, there will be the need to finance budget deficits in most western

On top of these structural forces, there is an apparent rise of more than 1 percentage point in the UK inflation premium, derived by subtracting the yield on indexed gilts from that on normal gilts.

The one worldwide force suggesting the possible return of inflation has been a 25 per cent jump this year in commodity prices. In fact, a

sharp rise bere in the course of a world recovery is quite normal. An occasional bump of this kind is an illustration of the point by former UK chancellor Lord Lawson that we cannot expect either output or prices to move in a straight line. However, a continued commodity price increase of recent dimensions. price increase of recent dimensions could not be so readily explained away and would be a sign of worldwide pressures on capacity.
I can still hear critics saying that

the true constraint on UK recovery is not inflation but the balance of payments. Let us cut out the scho-lastic argument about how much this matters and conduct the argument in terms of capacity instead. For what could make it necessary to slow down the recovery well before a reasonable level of employment had been reached, would be a shortage of capacity. Here the for-mer Nedo economists, whose book Britain's Economic Performance was reviewed by Edward Balls in the FT last Thursday, have a point. With the cost indices showing Britain being highly competitive against the rest of the world, further devaluation would just be inflationary.

Despite the peculiar left-right coalition which regards such a prospect with indifference, if not joy, continuing depreciation of sterling is not an option for governments even half serious about a 1 to 4 per cent inflation rate. Admittedly, in the Treasury model sterling is not a good predictor of inflation for up to two years ahead. But this is just a question of forecasting techniques.

here can be little doubt that, if sterling continued to drop year after year against the world's main currencies, the UK inflation rate would be correspond ingly higher. Britain has already had, when it left the ERM, the one off devaluation which might be

Where, however, the ex-Nedo economists are obstinately wrong is in failing to see that the capacity shortage is at bottom a labour market problem. For in the end businesses will install the amount of capacity that they regard as profitable. In the long run extra workers are taken on, and the capacity to employ them installed, if the gains from so doing exceed the extra costs involved. If labour markets were more flexible, it would pay to add capacity and employ more people. (Readers who disagree should write "to the editor", not to me.)

It is at least a good sign that the chancellor is using the present respite from monetary controversy to investigate ideas for improving the workings of the labour markets in a humane way, so that it becomes possible to create low-paid jobs for the less skilled, while topping up their pay by other means.

This was pretty well what the Jap- vive a few more. South Africa's balancing act

South Africa's government of national unity has passed its first test. Yesterday's budget is a brave governments. It is becoming attempt to reconcile two critical constituencies. The concerns of the business community, looking for evidence of fiscal discipline, were met with the pledge to cut the budget deficit from 6.9 per cent to 6.6 per cent of GDP. It will be harder to satisfy a domestic ostituency anticipating a liberation dividend. The provision of \$685m for the first year of the country's development plan may seem modest at first sight, but it will be hard to spend this amount

efficiently in the time available. This cautious approach suggests that the new ANC-led government is determined not to repeat the mistakes that have proved so costly elsewhere in Africa. But the toughest tests are yet to come: controlling spending while keeping promises to provide a better life for the country's black majority. The budget will come under pressure from several sources including the costs of an expanding civil service, of a multi-tiered system of local, provincial and central government, and of integ-rating the armed forces. Winding up the old apartheid structures and replacing them with a new system will almost certainly prove more costly than anticipated, even if in the long run it will prove

Apartheid's legacy

Redressing the legacy of apart-heid involves undoing one of the twentieth century's most radical experiments in social engineering, involving the forced removal from so-called "white areas" of over 3m people. Making restitution to the possessed, making available state-owned land to ease pressure in former "black areas", and redirecting financial and other assistance from commercial farmers to sent farmers without disrupting agriculture will be an awesome task for a government most of whose members have no previous administrative experience. Scarcely less demanding is the target of meeting a housing backlog of over 1.5m units while keeping up with annual extra demand of

30me 200,000 homes. The new government must also resolve unfinished constitutional

msiness; determining the rela-

governments. It is becoming increasingly clear that there will be a tussle for power between the provincial premiers and the executive, involving some of the most critical issues such as the allocation of state resources for housing, health and education.

Working relationship

Fortunately, the four-year tran-sition which culminated in Presi-dent Nelson Mandela's inauguration last month has helped forge a working relationship between the ANC, Deputy President de Klerk's National Party, and the busines community. It is significant that both the deputy to finance minis-ter Mr Derek Keys, Mr Alec Erwin, and Mr Jay Naidoo, the minister responsible for the social upliftment programme, are preaching the virtues of fiscal discipline as enthusiastically as Mr Keys himself. This has allowed much of the important groundwork for development to take place. The foreign debt burden, dating back to the freeze on further lending imposed by commer-cial banks in 1985, has been eased. Similarly, the transitional team has negotiated an International Monetary Fund facility and made trade liberalisation proposals to the General Agreement on Tariffs and Trade.

Now what Mr Keys called the "golden triangle of government, business and the unious" has to deliver jobs and improved living standards. As he acknowledged, success in a challenging international environment requires liber-alisation of South Africa's exchange controls, a significant obstacle to investor confidence, as soon as conditions are right. But first South Africa needs to build up its foreign reserves, which currently cover barely six weeks of imports. Above all, restored access to international financial markets should not be seen as a way of funding a larger budget deficit. If South Africa can realise the

vision set out by Mr Keys in yesterday's budget - an open society, trading freely with other nations, investing liberally to increase productive capacity, and creating more jobs and an attractive domestic market - it will have broken the African mould.

The question of how pensions should be financed and who billties. should pay them remains at the top

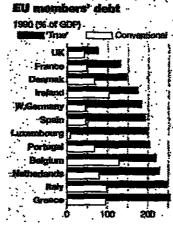
of the policy agenda across the world. In the UK, today's <u>VIEW</u> white paper in response to the Goode report will propose new solvency standards and regulatory reforms, while in Italy the government is faced with a budget "hole" of perhaps one-fifth of the planned 1994 deficit as a result of a court decision this month on state pensions. There is a widespread feeling that something has to change but – as demon-strated by last week's abandonment of the troubled European Union pensions directive - no agreement

But the problem cannot be swept under the carpet. The adverse demographic trends at the heart of the pensions quandary are a source of strain for public sector budgets already swollen by unemployment due to an explosion of low-cost competition. The extent of the strain cannot be gauged from published

public sector statistics, which are purely backward-looking, with no inclusion of unfunded pension lia-

Researchers at ABP, the Dutch civil service pension fund, have quantified the present value of unfunded pension liabilities in Europe. If the present value of tax receipts from public and private pensions is deducted from this sum. and the conventionally measured debt burden is added, the result gives a measure of "true" debt (see chart). While this does not represent a complete set of adjustments to gross public debt data - which would include assets to be sold off, as well as future liabilities - there is merit in singling out pensions. First, pensions are among the most important categories of public expenditure. Second, to the extent that they are unfunded, they are most vulnerable to demographic

The "true" debt/gross domestic product ratios are more than double conventional ratios almost throughout the EU. The UK - with both the lowest public pension in the EU and one of the best developed private-



ing the smallest unfunded liabilities in relation to GDP, and that ratio will have fallen after the 1993 announcement of a phased rise in

the pension age for women. Financing problems are not con-fined to pensions promised by the public sector. In Germany, private schemes are usually of the defined benefit type and more than 60 per

cent of private pension obligations are held within company balance sheets. But under the pressure of redundancies, some companies have begun to create separate pension funds, partly because the employee contributions which are proving increasingly necessary must by law be made into a hypothecated fund.

Some means of encouraging savings needs to be found. An alternative solution to underfunding is to reduce the real value of pensions, but there are clear political limits to this; in the Netherlands the Pensioners' party won six seats in May's elections. In the UK the state earnings related pension scheme became less generous in 1988, and since 1981 the basic pension has been linked to prices rather than wages. Greater availability of appropriately supervised private sector pension funds, free to invest as their managers see fit, is the only realistic way forward.

Make no mistake, governments will progressively renege on their pension payments. The only way to head off political consequences is to encourage saving, particularly via private pensions. In continental Europe, where cross-border sales and investments are commonly constrained, Sir Leon Brittan gave the lead in 1991 with the draft Pensions Directive. But although all Euro-pean leaders support free capital movements in principle, in practice the ERM and the Maxwell crises, coupled with lingering resentment of the UK's tactics during the Maastricht negotiations, destroyed the political support for the directive, and it has been abandoned.

Europe's pensions quandary is not a suitable case for "muddling through". A directive which genuinely liberates capital would radically improve the allocation of savings, raising growth and generating jobs. In stark contrast to last year's Commission white paper, free cross-border pensions in Europe could help finance investment with-out adding to high government debts – both revealed and hidden.

Jonathan Hoffman

The author is a director of economics at CS First Boston, London

Warsaw's honeypot

■ This weekend Warsaw plays host to an event that would have warmed the cockles of the heart of Jacques Attali, former president of the European Bank for Reconstruction and Development. International aristocrats,

Citibank, Burger King and, yes, the EBRD are helping with the organisation of a series of events including a ball and candle-lit dinners - to raise funds for a new children's cancer hospital, which will receive almost half the

The EBRD in London says it's providing "no financial support whatsoever", though it thought it may have given permission for

Warsaw's Royal Castle, rebuilt in the 1970s by Edward Gierek, then Communist party leader, will, for the first time since it was destroyed during the second world war, be the scene of a "Red and White" dance -- "carriages at two" - on Saturday. Sunday will be devoted to visiting stately homes.

Neil has been acting as an EBRD consultant in Warsaw since 1992 - is the gala's moving spirit. She has assembled a glittering crowd of the great and the rich, including Rocco Forte, whose

Bristol Hotel will be housing some

of the prominent guests.

Sereena Balfour - her husband

Balfour says that besides charity, the aim of the exercise is to erode Poland's foreign image as a desperately dull and dreary place. In a personal capacity, Guy de Selliers, a deputy vice-president of the EBRD, is one of 200 guests, including Wieslaw Kaczmarek,

Poland's privatisation minister,

who has been invited to attend at a reduced rate. Other guests will be paying \$1,310, plus \$290 for their room in the Bristol; not exorbitant, but still rather beyond the average monthly Polish salary, equivalent to \$200.

Yankees out

It's all change at the American University of Beirut where Richard Debs, the ex New York Fed man and more recently Morgan Stanley hot-shot, has taken over as chairman of the board of trustees.

The only problem is that Dehs, plus his new vice-chairman, Occidental's Ray Irani and Tom Morris, former chief executive of New York's Presbyterian Hospital, are not allowed to walk AUB's tree-lined squares.

Three years after Lebanon's civil war, which brought bombs, killing and kidnapping to AUB, the state department still bars Americans from travelling to Beirut. "I suspect we'll be able to go back

in a year or so," says Debs, who

learnt his Arabic when he was a Fulbright Scholar in Cairo back

'I'm a professional slave to my ego'

Until the state department decrees Lebanon safe, therefore, daily running of the oldest US institution in the Middle East remains in the hands of its now non-American staff.

Not tongue-tied

Anyone wishing for an instant assessment of the state of the South African economy need look no further than the attire of finance minister Derek Keys.

Yesterday he was sporting what he calls his "good news" tie, a truly appalling confection of broad stripes in yellow, purple, maroon

OBSERVER and blue. This garish combination heralded

an upbeat introduction to

orice, solid export earnings,

yesterday's budget: an economic

recovery boosted by a higher gold

favourable agricultural conditions

improved access to foreign markets,



improving local and international business and consumer confidence with each day that passes". If on his next public appearance Keys sports an even more spectacular choice of neckwear, brace yourselves: he'll most likely

be announcing the abolition of the financial rand.

Right pair

■ The menu in the Columbia Restaurant of the QE2 luxury liner this week offered passengers a chance to taste some traditional Old English dishes: Spaghetti Bolognese followed by Coupe Belle-Hélène.

No doubt they should be washed down with some of that good old Somerset drink Dom Perry-gnon.

Nice one, George ■ Always thought that George Mathewson, the restless chief executive of the Royal Bank of

Scotland, was a bit of a rum cove. On the day 3i celebrated its stock market launch, Mathewson's bank dumped (sorry sold) its entire £115m stake in the venture capital

Given that Mathewson spent nine years learning his trade at the old ICFC, the forerunner of 3i, it doesn't sound much like a vote of

confidence in his old employer. "I hope nobody thinks that I am saying 3i is a bad company. It is a very good one," says Mathewson who blames less favourable accountancy rules for his change

Quite so. But it probably would not have happened if the Royal Bank was still run by old fashioned clearing bankers.

Bristol fashion

■ George Mathewson is not the only ex-3i veteran at the Royal Bank who clearing bankers love

Derek Sach, recruited by Mathewson to run the bank's intensive care ward after 20 years at 3i, has even dared challenge the usefulness of the floating charge, an ancient banking method whereby banks can get their money

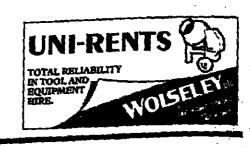
He told the FT earlier this week that it should be abolished. As one pained clearing banker noted yesterday this would mean that students of Institute of Bankers exams would no longer be able to answer the stock question: "How do you secure a ship mortgage?" with the hoary old answer "with a floating charge and

hack even if no one else can.



FINANCIAL TIMES

Thursday June 23 1994



UK opt-out keeps it exempt from directive

EU states agree law to set up works councils

By David Gardner in Luxembourg

All European Union member states, except the UK, yesterday agreed on a law to set up elected works councils in up to 1,500 large trans-European companies. The councils are intended to ensure that workers' representa-tives in companies employing more than 1,000 people - or more

than 150 in at least two member states - are consulted and informed on cross-border business decisions that affect them. A jubilant Mr Padraig Flynn. EU social policy commissioner, acclaimed yesterday's decision as "a historic breakthrough" for workers' rights in the border-free single market. "This flexible leg-islation is good for business and

will improve competitiveness through better industrial rela-tions," Mr Flynn said. The deal follows 24 years of

wrangling.
The UK is exempt from the directive through its opt-out from the Maastricht social chapter, under which yesterday's legislation was passed. However, just operating on mainland Europe will be affected.

A recent German study suggests that 450 German companies, 250 US corporations operatnies, 250 US corporations operating in Europe, and 220 French companies will be the most affected Nearly 300 UK companies would have been in the net had it covered British territory.

Attempts to include UK-based

employees of British multinationals were rejected by EU labour and social affairs ministers meeting in Luxembourg yesterday.

Mr David Hunt, UK employ-

ment secretary, said he was "very pleased that the UK will not be forced to accept trade union-dominated works councils" which "will impose unnecessary costs and bureaucracy on

The directive replaces the origi-nal Brussels plan for a uniform structure of compulsory consultation with provision for individual voluntary agreements at com-

pany level.
The process is triggered when "at least 100 employees or their representatives in at least two member states" ask for informacashes in on Irish

> Cup is creating a windfall for Guinness, the London-based brewer, which has seen stout sales rocket on both sides of the

> Some pub landlords in Britain have had to order "emergency supplies" of Guinness after Ireland's football triumph over

> In Britain, where Guinness generally sells around im pints a day, pubs and Irish clubs, particularly those in areas such as north-west London and Merseyside, which have large Irish populations, report strong sales. "The Irish have a knack for turning a sports event into a party,"

> that much of the evidence for the sales surge in Britain is anecdotal, since it has yet to

quadruple normal sales.

420m pints of stout are downed every year and Guinness is estimated to have 90 per cent of the market, the company says sales have gone up by 15 per cent since the World Cup started.

strike in Dublin last Saturday, timed to coincide with Ireland's opening match against Italy, and which closed half of the pubs in the capital. Happily, the dispute has now been resolved. In the US, Guinness sales were

18,000 Irish supporters. Sales in Orlando during June are running at more than double the 1993 level and at Mulvany's Irish Pub last Saturday, 32 barrels of Guinness were drank compared with between five and

Norway braced for Italian backlash, Page 8

Guinness World Cup triumph By Paul Taylor in London

If talks fail after three years,

then a set of minimum standards

contained in an annex to the directive will apply. If management refuses talks, the annex

will be imposed after six months. Assuming the measure is rubber-stamped by ministers in

October after a second reading by

the European parliament, and

allowing two years for transpos-ing the directive into national

law, the councils should be up

and running by the end of 1999.

Unice, the Euro-employers

lobby, said on the eve of the deci-sion that it "violated the very

principle of consultation that it

British employers also denounced the decision. Mr Peter Morgan, director-general of the

Institute of Directors, said works

councils would damage European

The European Trade Union Confederation said workers had waited a long time for this deci-

sion which gave "a new push to

EU social policy". This was the

first Euro-law passed under the Maastricht social chapter.

hosts approved a separate docu-

ment that will usher in a broader

relationship between Russia and

Nato, including a dialogue on

But allowing Russia to negoti-

ate this side agreement in

goodwill by agreeing to work

from a Western draft but it won

One was the exclusion of a

phrase that would pledge Russia and Nato not to interfere in each

other's decision-making process.

Another was the inclusion of a

reference to Russia's importance

important concessions.

European security issues.

seeks to endorse".

italy sent sales soaring up to five es normal levels.

But English, Scottish and Welsh football fans, bereft of their own teams to support in the World Cup, are jumping on the Irish bandwagon and ordering pints of Guinness - pro-moted on television by Jack Charlton, the Irish manager.

Guinness, which is sponsoring the Irish team, readily admits

compile actual sales figures.

Nevertheless, one pub landlord in Peterborough, Cambridgeshire, reported that his customers drank more than 1.000 pints of Guinness on Saturday as they watched Ireland's 1-0 victory over Italy - more than

In the Irish Republic, where

This was despite a barmen's

already growing strongly. Irish bars in New York and in Orlando, Florida, where the team is now staying, are doing brisk

eight on a normal Saturday. In New York where Ireland's

first match was played, the Guinness regional sales representative believes 50,000 pints of Guinness will be sold this month - up between 70 and 80 per cent on the same period last year. "It's like a month-long St Patrick's Day," she said.

Russia warns on pace of Nato expansion into east Europe

By Bruce Clark, Defence Correspondent, in Brussels

Mr Andrei Kozyrev, the Russian foreign minister, yesterday urged Nato not to risk provoking public opinion in his country by rushing to welcome east European countries as members of the alliance.

The appeal was made during a visit to Brussels for a Nato meet-ing hailed as a landmark in Russia's links with the west. Representatives of Nato's 16 member states were gathered to honour Russia as the 21st, and most important, member of Partnership for Peace, the military

broaden military co-operation in Europe and the former Soviet republics, setting up programmes for joint peacekeeping exercises and grouning countries for eventual Nato membership.

Mr Kozyrev told Nato that a large section of the Russian public needed convincing that the alliance was not intent on a "tri-

more stable dollar and from Mr

European bond markets to recover, but volume was thin.

Europe today

A depression over Finland will produce a lot of rain over northern Scandinavia. Showers coast of Sweden and winds will be gale or strong gaie force over the Baltic. Meanwhile. high pressure will make western Europe more settled. Northern France, Germany and the Benelux will be dry with sunny spell Southern Europe and northern Africa will be sunny and warm. The Balkans and the Ukraine will be warm with thursder showers developing this afternoon. Warmer air will move slowly across southern England and Ireland, resulting in increasing cloud and occasional drizzle in Ireland.

German bunds rose almost 2

Continued from Page 1

Greenspan's testimony.

"major psychological adjustment" would be necessary before his fellow citizens could accept the idea of countries like Poland, Hungary and the Czech Republic joining the alliance. In welcoming the Russian par-

The Russian minister said a

ticipation, Mr Warren Christo-

Security and Co-operation in Europe, a loose club of 53 nations whose current brief is more diplomatic than military, and said time would tell which was the

of them," Mr Kozyrev said.

advance of joining the partnerpher, US secretary of state, said that "by widening the reach of ship has dismayed central and east European states, who were told they must adhere to PFP the great postwar security and economic institutions, we can first and then refine their links help ensure that war, poverty with Nato. Nato officials, however, said and oppression never again engulf this continent". they were satisfied that the document's final text did not give Mr Kozyrev stepped back from previous demands that Nato be Moscow any automatic right to sit in on their private discusubsumed by the Conference on co-operation programme. The partnership is intended to sions. Diplomats said that in four days of haggling, Russia showed

most important institution. "Let us not make any of them a

fetish ... experience will show the correct combination and determine the real value of each As well as signing up to the

Clinton defiant over state of US economy market index rose 11.15 points in normal trading hours to 1994.42. Clarke, chancellor of the exchequer, and Mr Eddie George, gov-After hours, it added another 10 ernor of the Bank of England. to 2004.93. In Paris, the CAC Index jumped 26.26 points to The minutes indicated no immediate need to increase UK 1917.04. In London, markets were interest rates. The FT-SE 100 Index rose 20.2 points to 2960.4, while the September long gilt also given a boost by the publica-tion of the minutes of the May future gained nearly two points. meeting between Mr Kenneth

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FT WEATHER GUIDE

Five-day forecast

A vigorous depression over Finland will weaken as it moves into Russia. As a result. more settled conditions will develop over northern Europe. Warm air over Spein will be drawn further into France and later towards the Benelux. However, a dispression will develop over France causing thunder showers to form on Saturday. These will reach The Benelux and western Germany on Sunday and it will soon become cooler.

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THE LEX COLUMN

Investors in 3i

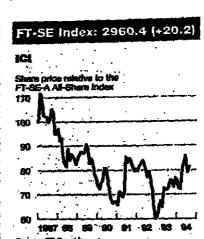
Stormy financial markets have forced 3i to trim its sails a touch but not prevented its flotation. The issue has prevented its finitation. The issue has been priced at a 13.5 per cent discount to net asset value, which is somewhat higher than the venture capital group's existing bank shareholders were originally looking for. Barings, 3t's merchant bank, has also thought it wise to choose a price which will mean that institutional shareholders will be appropriate than help than the propriate program as the part of the part will on average receive less than half the shares they apply for. That should ensure a healthy aftermarket provided equity prices do not take another divi in coming weeks.

But it would be wrong to conclude that the pricing offers investors the prospect of quick profits. Though the bulk of Si's portfolio is unquoted, it is valued by reference to market price/ earnings ratios. Similarly, the drying up of new issues means it will take longer for 3i to realise the value of its assets. The 272p issue price merely reflects these factors. It is not particu-

larly generous. 3i's main attraction is as a long-term investment. The company has outperformed average venture capital and smaller company investment trusts over the past decade. The source of this success is a branch network that enables 3i to invest in a much broader range of small companies than rival investment trusts are able to tap. Though there are costs in maintaining 3i's network, they have been cut in recent years. Because the competition in supplying finance to this sector is not severe, the prospective returns are

The stock market's reaction to the appointment of an outsider as ICI's chief executive was muted compared to the celebration which greeted Mr Martin Taylor's arrival at Barclays last summer. But Mr Charles Miller Smith, who is moving to ICI from Unilever and was rumoured to be in the running for the Barclays job, should not feel slighted. The process of cul-tural change is already well estab-lished at ICI following last year's demerger of Zeneca. The main comfort in the appointment is that there is less danger of ICI sliding back into complacency now that profits are starting to

Mr Miller Smith may also be able to add value to ICI's investment decisions, which will be just as important for the company's long-term success. The chemical group's record on this



score has been patchy. With its balance sheet restored to health thanks to the demerger, ICI has money to spend. But without the cash flow from the bioscience side, it cannot afford

While Mr Miller Smith will not bring specialist knowledge to investment decisions, ICI is not short on chemicals industry experience. The chairman-designate and most other executive directors have risen through the ranks. Neither has specialist know-ledge always brought the right result in the past. It may be more important that Mr Miller Smith brings a dispassionate view, unencumbered by the

BAT Industries

It is not only pharmaceutical companies that catch colds when the US Food and Drug Administration sneezes. BAT's shares, too, have spluttered after the FDA attacked high-nicotine tobacco. Whatever the rights and wrongs of the latest row, the trend towards tighter regulation is unmistakable. BAT describes the FDA as an "agency with an agenda" aiming
"to acquire jurisdiction over tobacco
so that it can regulate it out of existence". That makes its \$10m acquisition of American Tobacco appear all the more heroic - or foolhardy.

BAT's shares have underperformed the market by 8 per cent since it moved to increase its exposure to US tobacco, although other unsettling factors have been at work. BAT has been hit by the dollar's weakness and it has only recently become apparent how badly Farmers was knocked by the Californian earthquake. Yet if BAT's

tobacco worries are confined to the US, its rating looks decidedly men. Its tobacco interests are valued an earnings multiple of around live insurance is given a market rating. That may only reinforce the logic of hiving off tobacco, even though Philip Morris has just baulked at the idea. After all, cigarette sales in the developing world should more than offset shrinking US demand.

Small companies

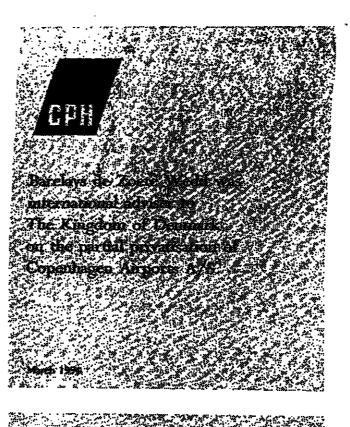
A pan-European market for smaller company shares of the type being dis-cussed by Nasdaq, the US market, is an attractive idea. Institutions tend to be interested in the minnows only at the top of the investment cycle, so retail investors are required to under-pin liquidity. Yet no single European country has a deep enough pool of retail money to allow the lower echelons of national markets to flourish. Harnessing interest across Europe might provide enough liquidity to rep-licate the success of Nasdaq in the

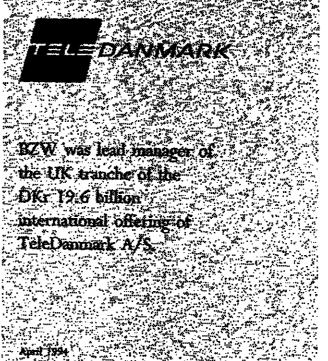
But in practice it is not clear that European investors have the same enthusiasm for equities as their US peers. And though the technology to run such a market is available, persuading national exchanges to back the venture will be hard. The London Stock Exchange for one is determine to go it alone. Even if a number of existing markets could be convinced in principle, ticklish problems of accounting harmonisation and regula-tion would have to be overcome. None of this amounts to an argument against trying to establish such a market. But there are powerful reasons to doubt whether it is an idea whose time

Telegraph

A recent study by management con-sultants McKinsey argued that the only reliable way to win price wars was to avoid them. On that reckoning, the Daily Telegraph can only loss heavily by cutting its cover price. The Telegraph accepts it could lose \$40m in annual circulation revenue, although that will be partly offset by The more worrying thought is that the Telegraph has ceded control of its des-tiny to its chief competitor. The Telegraph's move only makes sense if The Times now stops hostilities. Sadly, Mr Rupert Murdoch is not reknowned for such generosity.

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FINANCIAL TIMES

COMPANIES & MARKETS

OTHE FINANCIAL TIMES LIMITED 1994

Thursday June 23 1994



IN BRIEF

M BENTS!

All change on top at Tetra Laval

Packaging group Tetra Laval has announced a shake-up of senior management, following the sudden departure of Mr Uno Kjellberg as chief executive of the group's biggest division, Tetra Pak. Page 20

Handbags to be rationed Louis Vuitton is rationing customers to one or two purchases at a time because of a surge in demand for its products. Page 20

Royal Bank of Scotland sells 3i stake Royal Bank of Scotland has sold its stake in 3i, which is priced at 272p per share for its flotation. Page 20; Observer, Page 17; Lex, Page 18; Details,

Deal boosts Japan's multimedia hopes A co-operation agreement between Japan's NTT and the US's Microsoft to develop an interactive multimedia system could further Japan's ambitions in this area. Page 21

Bridge battle enters new phase Parker & Parsley, suitor for Bridge Oil, has begun legal proceedings against the rival bidder Gantry alleging breaches of the US Securities Exchange

BTP's 48% rise beats expectations BTP beat City expectations with a 48 per cent jump in annual pre-tax profits. Page 24

First Leisure warms on consumer spending Profits ahead 15 per cent did not prevent First Leisure from warning there has been no substantial increase inconsumer spending. Page 24

Carpetright moves abead Twenty-nine new stores helped Carpetright boost profits by 79 per cent. Page 26

Restructuring charges hit Wagon Wagon Industrial posted better-than-expected profits, though still down on the previous year because of restructuring charges. Page 26



A new strain of hipin which can be used for animal feed could soon take over British farmland and reduce the trade deficit. Page 28

investors shy away from China Investors have been fighting shy of China, with the Chinese equity market falling 37 per cent in dollar terms this year. Back Page

Correction

The picture on this page yesterday was of Mr John Simons, finance director of Hazlewood Foods. The caption wrongly identified him as Mr Peter Barr, chairman.

26, 20, 18, Hardys & Hansons

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Metallgesellschaft to sell HQ

By David Waller in Frankfurt

Metallgesellschaft, the heavily indebted German metals, mining and industrial group, has entered negotiations to sell its headquarters site in the centre of Frankfurt. The move follows the sale last

week of an 80 per cent stake in its Buderus engineering subsid-iary, which raised DM1.2bn. The Frankfurt site could have a market value of DM750m (\$460m). Metallgesellschaft said.

but cautioned that not all the proceeds would flow to its coffers as the land is jointly owned with a company controlled by Dresd-

The group said it had entered into negotiations to sell the land as it made no husiness sense to have administrative offices, a car park and research laboratories on

The planned sale of the land and the disposal of the Buderus stake come against the background of continuing business problems at MG Corp, the group's New York-based trading subsidiary, whose speculative trading in oil derivatives brought Metallgesellschaft to the brink of collapse in January. MG Corp was still a "machine

for losing money", Metallgesellschaft's chairman Mr Kajo Neukirchen warned yesterday in an interview in the employees' magazine. Problems in the US represented the biggest challenge to Metallgesellschaft's recovery nlans, he said

MG Corp has become entangled in the affairs of Castle Corporation, a US oil refinery with which MG Corp has entered into a number of what Mr Neukirchen called "inexplicable" contracts.

The contracts oblige MG Corp to supply Castle with crude oil and help it finance the oil purchases. Then MG Corp is obliged to buy back the oil from Castle -40 per cent owned by MG Corp itself - at above the market price

extricate MG Corp from the contracts but he could not predict when a solution might be found. These contracts have required Metallgesellschaft to set up fresh provisions to cover risks arising from the north American

until the year 2000. Mr Neu-

kirchen said he was trying to

visions has not been disclosed but they are thought to be at

Mr Neukirchen insisted that the sales of land and assets were not a direct result of the north American problems, although earlier in the year the sale of the Buderus holding had been ruled

Analysts had suggested that the change of heart implied that the Buderus disposal was a "forced sale".

debts of more than DM9bn at the operations. The scale of the pro-

Metallgesellschaft had total

Nasdaq holds talks on forming European exchange

By Norma Cohen, stments Correspondent

Nasdaq, the US screen-based exchange which is the world's second largest stock market by turnover, is holding talks with potential partners about creating a pan-European exchange for small and medium-sized compa-

Mr Joseph Hardiman, Nasdaq president, said the new exchange could be formed quite quickly -perhaps in the next 12 to 15 months. Nasdao would seek to be a minority shareholder, he said. Potential participants include the European Venture Capital Association, the UK-based City

Group for Smaller Companies and several European bourses. Before Nasdaq would commit itself, Mr Hardiman said, "we have to make sure there are no overwhelming regulatory hurdles and we have to make sure there is a critical mass of buvers

of these securities". president of the Société des Bourses Françaises, which runs the French market, has confirmed that he is one of the par-

ties to the discussions. Mr Theodore intends to form a French-based working group of investors, regulators and intermediaries to study the issue and hopes that a report can be prepared by October.

Should the bourse participate in a pan-European exchange, it too would hope to hold a minority stake.

A bourse official said there was a particular need to provide an exchange for companies for which the Paris unlisted securities market was inadequate but for which full listing was not

Mr Hardiman said: "We are coping to jointly develop a true international securities market." He added that the ability to trade securities at "all hours" might be one of its attractions. One possibility might include the opportunity for companies listed on the exchange to be simulta-neously listed on Nasdaq, giving access to the US capital markets. "We are still in the very early

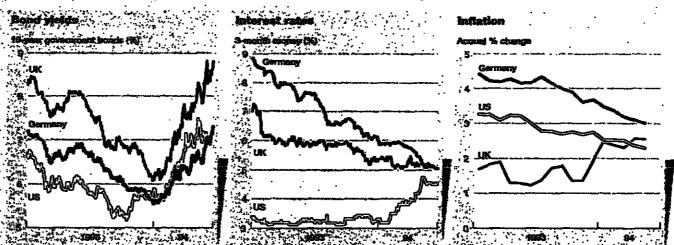
stages of fleshing this out," Mr Hardiman said. While Nasdaq attributes much of its growth to its specialisation in the shares of small, entrepreneurial, highgrowth companies, it is not clear that a European version would be equally successful.

Mr Kardiman expressed disap-pointment that the London Stock Exchange had rebuffed his earlier suggestion that it should become a participant.
The London exchange recently

amounced its own plan to promote trading in shares of smaller companies. Lex, Page 18

Conner Middelmann and Graham Bowley report on a continuing bear market

Yields diverge and short-term interest rates turn, even though inflation remains low



B ond fund managers have had a rough ride in the first half of this year, and the second half is shaping up to be just as difficult. Most investors expected last

year's bull run to continue. fuelled by further cuts in European short-term interest rates and low-inflation economic growth. Instead, government to take on new positions. bond markets have experienced a collapse in sentiment which has pushed up nominal 10-year yields in Europe by between 170 and 250 basis points since the end of 1993. Reversing last year's conversharply, with the higher-yielding

markets worst hit. The yield spread of the UK 10-year gilt over the German bund has widened to about 150 basis points, from 41 at the start of the year; the French spread has expanded to plus 62 from minus 9; and the Italian yield premium has jumped to more than 350 from 256 in April.

The sell-off began early in the year, when hedge funds and other highly leveraged players took profits, offloading massive bond holdings. When on February 4 the US Federal Reserve raised short-term interest rates, this signalled the end of the low interest rate era and inflation fears prompted further selling.

Since then every piece of data showing strong growth in the US economy and recovery in Europe has triggered further falls in the bond markets. Rising commodity and oil prices have further fuelled fears of inflation.

In this bearish environment,

most bond funds have put in a sorry performance. According to Micropal, the fund performance measurement service, 96 UK-based global bond funds posted an average loss of 6.4 per cent in the first five months of the year, with performances ranging between plus 5.2 per cent and

minus 15.8 per cent.
So, what now? "Judging by the fundamentals, with low inflation and low interest rates, bonds everywhere look extremely cheap," says Mr John Shepperd, chief economist at Yamaichi International, "Yet we have been saying that for three months now and they are still getting cheaper by the day." After getting their fingers burnt, ling markets, most

Rocky road offers no respite for bonds

Many say the markets' inflation paranola is overdone. They point to the current benign enviiorecasts tha remain subdued for the rest of 1994. Yet bond markets continue to fall, and implied future interest rates in the money markets indicate that dealers expect European interest rates to rise before

the end of the year. But while inflation fears and other perceived risks may have contributed to the rise in nominal yields, "the key is the rise in real yields", says Mr Shepperd.

Real yields - over and above inflation - have risen to about 4 per cent in the UK from 2.9 per cent at beginning of the year. The main reason is a sharp increase in supply: investors offloading their bond holdings, financial institutions offsetting osses in their marketmaking and proprietary trading activities, and most importantly, government issues to finance large bud-

Real yields have also been driven higher by the pick-up in world economic growth. Capital will be needed to fuel that growth, and there is talk of an impending global capital short-

What is more, "there has been a sea change in the international economic policy environment", says Mr Neil MacKinnon, chief economist at Citibank in London. "Governments' commitment to keeping inflation down, rather than stimulate growth to reduce unemployment, is being

Political uncertainty in Europe's election year, further fiscal slippage, continued growth of German money supply and hints of disagreement in the UK between the central bank and the Treasury are fuelling doubts. "My advice to investors is to use investors have embarked on a any rally to reduce exposure to "buyers' strike" and are refusing bonds," says Mr MacKinnon.

Ironically, the sharp rise in long-term yields may turn out to be a blessing. Higher long-term interest rates, to which a large

ronment - with inflation rates in amount of borrowing is pegged, the US, Germany and the UK at may damp some growth optior below 3 per cent - and to mism and resulting inflation the bond sell-off. Mr John Lipsky, chief economist at Salomon Brothers in New York, says the increase in European yields "will undermine growth expectations directly".

Moreover, "the latest bond yield rise up will increase the pressure on European governments to tighten fiscal policy further, rather than watch passively as higher debt financing costs push budget deficits - and real long-term bond yields - still higher", Mr Lipsky argues.

Some take an even gloomier view. "The risk is high that the world will sink back into recession before the end of the year." warns Mr Stephen Lewis, director of research at the London Bond Broking Company.

Many say the outlook for the second half hinges on US develsigns of slowing, fears of further interest rate tightening may ease. allowing treasuries to stabilise. Until then, European bond mar-

kets are expected to be volatile. We are running defensive positions consisting of cash, short-dated paper and reduced exposure to the peripheral mar-kets in favour of the core markets," says Mr Paul Abberley, head of fixed income at fund managers Lombard Odier, Historically, bear markets have lasted for two to three years. By that standard, the current bear mar-

ket is still in its early days.

Foster's makes big move in China

By Nikki Talt in Sydney and Louise Lucas in Hong Kong

Foster's, the Australian brewery group, is joining forces with Wheelock, the Hong Kong-based trading house, to make a push into brewing in China.

The companies said yesterday they were evaluating projects in the cities of Tianiin. Wuhan and Chengdu. They plan to spend US\$1bn over five years.

Foster's already has two joint ventures in Guangdong province and Shanghai, and said its aims fitted neatly with Wheelock's strategy, which centres on the development of five "regional hubs" - Guangzhou, Shanghai, Wuhan, Chengdu/Chongqing and

Beijing/Tianjin. The Australian group has created a Poster's Asia division, incorporating existing Chinese interests. The decision to exploit Asian expansion opportunities comes as Foster's UK and north American interests are suffering from sluggish demand and extremely competitive condi-

By contrast. Foster's pointed out yesterday that the beer market in China grew by about 23m hectolitres in 1993, to around 123m hectolitres - making it the world's second largest market after the US, easily surpassing the Australian total of 17m

It also pointed out that the Chinese brewing industry remained fragmented, with more than 800 breweries, only 10 of which produce more than 1m hectolitres and none above 2.5m

hectolitres. The move marks Wheelock's first foray into brewing. Mr John Hung, an executive director, said the group recognised brewing's massive potential in China. Less than 10 per cent of Whee-

lock's assets are in China, but there are plans to increase this o a maximum of 20 ner cent The venture will marry Fos ter's brewery skills with Wheelock's China know-how and property development expertise. Mr

Hung said: "Wheelock has always been the party, in any joint venture, that brings to the table a number of things: local knowledge, financial strength, corporate muscle in Hong Kong and China connections, and will help seek sites." The market leader is Tsingtao.

the local brewer whose shares are traded in Hong Kong. How-ever, foreign brands are jockeying for market share.

ICI picks outsider for chief

By Tony Jackson in London

Imperial Chemical Industries, the UK bulk chemicals company demerged from the old ICI a year ago, has underlined its break with the past by appointing an outsider as its new chief execu-

Mr Charles Miller Smith, an accountant, will join ICI from the Anglo-Dutch consumer products group Unilever. A former finance director, he now runs its food operations in southern Europe. He will take over next April on the retirement of Sir Denys Henderson as chairman. Sir Denys will be succeeded as chairman by the present chief executive, Mr Ronnie Hampel.

The appointment of an outsider to such a senior post in ICI is thought to be unprecedented. which went to Mr Martin Taylor

The present finance director, Mr Colin Short, was brought in from the US oil company Chevron in 1990. However, Mr Miller Smith will be in day-to-day charge of ICI, since Mr Hampel's job as chairman will be part-time. In the old ICI before demerger

the tradition was for the top job to be contested between rival barons from the operating divisions. However, as a result of the demerger and retirement, the old guard has been largely swept away. Besides Sir Denys, Mr Hampel and Mr Short, the members of the slimmed-down executive board are all recent arrivals, and most are under 50. Mr Miller Smith, 54, is thought

to have been an unsuccessful

candidate last year for the chief

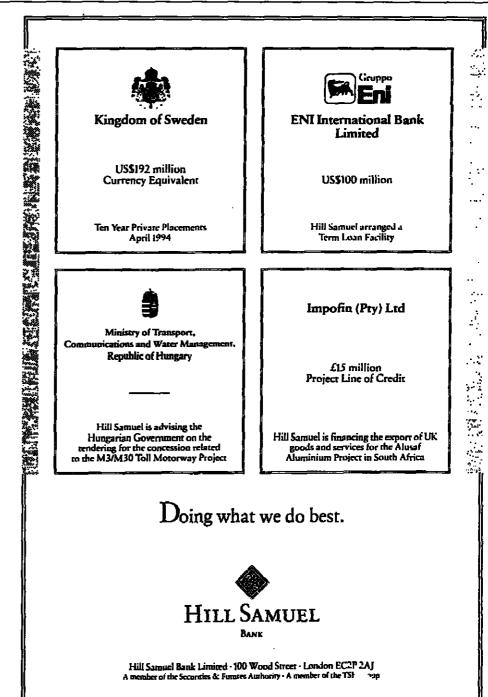
executive's job at Barclays Bank,

of Courtaulds. In December he was pipped for the job of chair-man elect at Unilever by Mr Niall Fitzgerald. His present job at Unilever involves running a business with a turnover of some £4bn (\$6bn) about half the size of ICL

ICI described Mr Miller Smith as "somebody different" from most other ICI directors. He has worked in Unilever's speciality chemicals division, and has spent time abroad, in India and the Netherlands. Like Sir Denys and several other ICI bosses before him, he is Scottish. He has also been a non-executive member of the ICI board for the past year.

Mr Miller Smith might be expected to succeed as chairman on the retirement of Mr Hampel, who is 62, in around three years

Lex, Page 18



By Hugh Carnegy in Stockholm

Tetra Laval, the leading Swedish packaging group, yesterday announced a shake-up of senior management follow ing the sudden departure of Mr Uno Kiellberg as chief executive of the group's biggest division, Tetra Pak.

Tetra Laval said Mr Kjellberg, in charge of Tetra Pak for three years, was quitting due to differences with the group board over strategies at Tetra Pak, which makes systems for liquid food processing, packag-

By Peter Wise in Lisbon

terday.

Portugal's three state-owned

telecommunications companies

are to be merged today into a single unit. The new utility

which will be the country's

largest company, is to be par-tially privatised by mid-1995, government officials said yes-

Telecom is the first step in a

restructuring that will bring

all the country's main telecom-

munications services under the

management of a single state

The utility is to be progres-

sively privatised but the state

will keep a "golden share,"

enabling it to veto strategic

decisions. Privatisation is to

The privately-owned group gave no further details on the decision. "We cannot go into details without revealing information about our future strategies to our competitors," the

It said Mr Gunnar Brock. head of Alfa Laval, which makes packaging machinery, would succeed Mr Kjellberg at Tetra Pak. Mr Lars Hallden, Tetra Laval group chief execu-tive, would head Alfa Laval until a new chief executive was

The shake-up was the first sign of differences at the top level since Tetra Laval was cre-

begin next year with a public

offer of 25 to 30 per cent. The

operator would later seek an

international partner, officials

formed from three companies:

Telefones de Lisboa e Porto,

which operates basic services

in Lisbon and Oporto; Telecom

Portugal, which runs services

in the rest of the country and

with Europe and the Mediter-

ranean area; and Teledifusão

Portuguesa, which beams tele-

Subsidiaries of the three

companies that operate mobile

telephone, cable television and

data transmission services are

also to be brought into the new

Portugal Telecom will be

Portuguese telecoms merged

at Louis Vuitton ated when Tetra Pak, owned by the Rausing family, acquired Alfa Laval for \$2.5bn By Diane Summers and in 1991 in Sweden's biggest takeover deal. The two merged Alice Rawsthom in Paris operations at the beginning of Louis Vuitton, the French last year with the aim of proluxury luggage manufacturer, is rationing customers to one viding complete food process-ing and packaging systems

The secretive group, which employs 33,000 people world-wide, is divided into four divisions. It does not reveal profit figures, but says it had turn-over in 1993 of SKr61bn. Tetra Pak accounted for SKr43.4bn

from the farm to the end con-

LVMH group, saw sales of more than FFr5bn (\$890m) last year - an increase of more than 20 per cent on the year before. New factories are under construction to meet the demand, which is particularly strong from Japanese customers who buy up to half of the 2m exclusive items a year. The rationing means that customers visiting any of Louis Vultton's 175 shops

or two purchases at a time

for its products, Mr Yves

The company, part of the

Carrelle, chairman, said Ves-

terday.

cause of a surge in demand

Rationing

introduced

around the world are being told politely they can only buy one item or, for some lines, Handbags are typically

priced at £250-£400, while cabin trunks are upwards of £4,000 (\$6,080) apiec

The rationing harks back to bullish era of the mid-1980s when Chanel, the Paris fashion house, faced so much demand from Japanese tourists for its classic quilted leather handbags that it limited them to one bag each. One group of tourists was caught trying to bribe passers-by outside Chanel's flagship store on Rue Cambon in Paris to persnade them to go in and buy

more bags from them. Louis Vuitton is not the only the French jewellery group,

the revival has been an improvement in the US and UK markets as economic con-

growth in the late 1990s is expected to be the emerging Asian economies - such as Taiwan, the Philippines and even China - which could, or as dynamic as Japan was in the mid-1980s.

Lotus enters the persuasion market Lotus Development

Share price (S)

The computer group is convinced it is taking the right path, says Alan Cane

those bouts of technical gaucherie which overtakes every software house from time to time, or is its predicament evidence of a deeper

malaise? If the latter, is it a local difficulty or one that is afflicting the entire packaged software industry? There is growing speculation that Lotus's troubles are harbingers of a wave of change which will reshape the global packaged software industry. "All the large software houses are in for a very rough time until the end of the decade," says Mr Richard Holway, a leading industry ana-

Lotus warned on Monday that its quarterly earnings to the end of June were likely to be only 20-25 cents a share compared with 34 cents a year ago and analysts' expectations of nearly 50 cents.

The market, surprised and shocked, reacted by marking the shares down \$14% to \$37, some \$50 off the peak for the year. It queried whether Lotus was losing market share to Microsoft, its principal rival.

Lotus this week brazened it out, claiming that the slippage was a one quarter issue, the result of delays in upgrades to a number of its software products. The underlying strength of its communications products husiness was not in doubt it

Mr Ed Gillis, Lotus chief financial officer, said yesterday that software houses find their sales boosted for the two quarters after new product introductions. Lotus intended to

Ts Lotus Development Cor- launch six new products in poration suffering one of July and August, so he was confident of an improved financial performance in the later part of the year.

It is a persuasive argument. Every software house experiences technological difficulties which force them to delay or postpone products and upgrades. It took Microsoft, the world's largest personal computer software company, five years, for example, to bring a commercially successful ver-sion of "Windows", the bestselling graphical interface for its MS-Dos operating system, to market.

According to Mr Gillis, the present delays are because of the complexities of integrating suites or collections of programs so they interwork with one another, a change to one program means further work on all the others.

Lotus, furthermore, seems to be an exception to the rule that software houses are "one product wonders" which cannot replicate early successes. After making its reputation

in the 1980s with the market leading spreadsheet "1-2-3", it had a fallow period in terms of new, exciting products until the past couple of years when "Notes", software which makes it possible for groups of people to share information, began to find favour with large organisations. Andersen Consulting has installed Notes worldwide and AT&T has formed a joint venture with Lotus to market Notes to a broader audience. Notes is the undisputed leader in this "workflow" soft-

ware which accounts for 30 per

cent of Lotus' \$1bn revenues.

The larger threat, however, \$49.99. It has since sold its which applies to every softspreadsheet product line to ware house, including Microsoft, is pricing. The cost of packaged software is falling in A second approach, plo-

neered by Microsoft, has been to sell a bundle of programs at a heavily discounted price. Lotus is advertising a suite of five of its most popular programs for £299 (\$454) (£199 to existing Lotus users), a price which one analyst described as "suicide". One of the programs, shipments of packaged soft price in the £300 region.

Analysts believe that the trend to lower prices is inexorable and that software houses must branch out into services, a tack now being adopted by most hardware companies, if they are to maintain margins and survive. Mr Gillis savs Lotus is already moving in that direction with its Notes workflow products. The decline in Lotus' share price over the past year indicates that investors may not share his confi-

Peugeot sees 'real chance' of profits

vision signals.

By John Ridding in Paris

Peugeot Citroen, the French car group, has a "real chance" of returning to profit this year, despite an expected slowdown in the growth in the European car market, Mr Jacques Calvet, chairman, said yesterday. Addressing a shareholders'

meeting. Mr Calvet said it was still too early to say whether the company would achieve its three financial aims for this year - a return to profit after losses of FFrl.4bn (\$250m) in 1993, covering investments included paying FFr5,000 to car ment in productivity, Mr Calthrough cash flow and a owners who trade in vehicles vet said.

sharp reduction in group debt. The Peugeot chief said, however, that "the first indications we have been able to get lead us to think that barring a shake-up in the car or currency markets, our chances of suc-

According to Mr Calvet, sales rose strongly in the early part of the year. In France, he said. sales had increased by 16 per cent in the first five months, partly because of government measures to stimulate the

ceeding are real".

the recovery in the European and French car markets as fragile, and partly artificial. Mr Calvet said that hard times still lay ahead, resulting from overcapacity in the market, and uncertain demand. As a result, Peugeot Citroen will continue to cut costs. This year, the company would again

utility. Portugal Telecom will have 22,000 employees and an

estimated value of more than Es1,000bn. Radio Marconi, which oper-

ates Portugal's intercontinental telecommunications services, will subsequently be merged with Portugal Telecom. The officials said private investors, who own 49 per cent of Marconi, were expected to be given a choice of selling their shares to the state or exchanging them for shares in Portugal Talecom.

The government has not yet decided whether to sanction a proposal for a Es30bn (\$224m) management buy-out of Marconi's 40 overseas subsidiaries and its 33 per cent holding in Telecomunicações Móveis Nacionais, a state-controlled mobile telephone operator.

a new one.

luxury company to have experienced healthy growth since the start of this year. Cartier, more than 10 years old to buy The impact of these meahas fared well, as has Hermes sures has, however, begun to the silk and leather house. wear off. Mr Calvet described One of the chief catalysts for

> ditions have improved. However, the main source of

Royal Bank sells its £116m stake in 3i

Banking Editor

Royal Bank of Scotland yesterday disclosed that it had sold its entire £116m (\$176.32m) stake in 3i, the largest European investor in unquoted companies. The announcement came as 3i set a price of 272p per share for the flotation of

stopped it taking increases in the Bank of England since its 3i's net assets into profits. formation in 1945, revealed Bank of Scotland retained its shares, while National Westminster remained the biggest holder, with 17.9 per cent.

3i said it was pricing the shares at a 13.5 per cent discount to net assets, and it was selling 45 per cent of its equity rather than 40 per cent -

The company, owned by seven high street banks and

details of a £36m share option scheme for 140 senior managers intended to discourage them from leaving. The options would cost £18.7m to exercise and net the managers £17.3m at the offer price. The scheme has been in place since 1984 and requires managers to wait

a fashion reminiscent of the

collapse in computer hardware

prices. Global figures are hard

to come by but Mr David Trem-

blay, research director of the

Software Publishers Associa-

tion whose members include

all the large US software devel-

opers, points out that unit

ware grew 75 per cent in

Europe last year but prices failed to keep pace. : "Aggres-

sive pricing by publishers has

limited revenue growth for

Europe to 11 per cent" - a 37

per cent decline in unit price

The pattern is evident in the

US, where software publishers

have taken the lead in offering

software at seemingly unprofit-

able prices. Borland Interna-

tional, for example, cut the

Mr Ewen Macpherson, chief Page 26; Observer, Page 27

executive, said that although 3i had a unique franchise, it was "an extremely good training ground for a variety of other companies".

3i confirmed it had received bids of £1.2bn from mainly UK institutional investors during the bookbuilding exercise. This was more than twice the 2533m placed firmly with institu-

Lex, Page 18; Banks' decisi



U.S.\$110,000,000 Secured export receivable facility

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JPMorgan

May 1994

All of these securities having been sold, this announcement appears as a matter of record only

June 1994

4,025,000 Shares

CYGNE DESIGNS, INC.

Common Stock

700,000 Shares

PaineWebber International

Furman Selz Incorporated

Smith Barney Inc.

This tranche was offered outside the United States and Can-

3,325,000 Shares

PaineWebber Incorporated

Furman Selz Incorporated

Smith Barney Inc.

CS First Boston

Dean Witter Reynolds Inc.

Donaldson, Lufkin & Jenrette

Goldman, Sachs & Co.

Merrill Lynch & Co.

Montgomery Securities

S.G. Warburg & Co. Inc.

The Buckingham Research Group

William Blair & Company

Gruntal & Co., Incorporated

Ladenburg, Thalmann & Co. Inc. Brean Murray, Foster Securities Inc.

Sutro & Co. Incorporated Tucker Anthony Doft & Co., Inc.

First Manhattan Co.

First Equity Corporation Pennsylvania Merchant Group Ltd

This tranche was offered in the United States.



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INTERNATIONAL COMPANIES AND FINANCE

ears about derivatives

risk have tended to cen-tre on credit risk, poten-

Hally snowhalling into sys-

temic risk and bringing about

the collapse of the interna-

But there is a growing school

of thought which argues that this focus is misplaced. Accord-

ing to many market partici-pants, market risk is a much more fundamental danger than

credit risk, and existing mea-

sures for risk management are

Because derivatives are

highly leveraged, losses on

market positions have been exaggerated, and volatile con-

ditions this year have caused assumed correlations between markets, on which hedging of

derivatives is often based, to

evaporate. Consequently, vola-tile markets can prove more dangerous for the derivatives

trader than for the cash mar-

By Robert Graham in Rome

often misguided.

ket trader.

tional financial system.

Air France asked to speed up sale of hotels chain

No deadline has been set.

The battle for control of

Meridien has become highly

Forte's is the higher bid,

valuing the luxury hotel chain

at FFr1.8bn compared with the FFr1.6bn offered by Accor and its partner, Prince Al-Waleed

Meridien's management has expressed a preference for the

Forte bid, but political pres-

sure has been brought to bear to keep the hotels chain under

Forte yesterday welcomed the French government's call

for the decision to be taken

quickly. It said that further

delay could lead to Meridien

managers leaving and the

chain losing contracts to man-

It said it expected to be given further details of the govern-

ment announcement in the

Bin Talaal of Saudi Arabia.

sensitive.

French control.

next few days.

By John Ridding in Parts and Michael Skapinker

Sim man

The French government has asked Air France, the state-owned airline, to re-open negotiations with bidders for a con-trolling stake in its Meridien Hotels chain for a rapid conclusion of the sale.

The negotiations will be based on a report by France's privatisation commission, an independent body which advises the government on the sale of public sector assets, according to the economics

ministry yesterday.

Forte, the UK hotels group, and Accor of France, are vying for control of the Meridien, in which Air France holds a 57 per cent stake. A decision on their bids was delayed in April and the dossier was sent to the privatisation commission for

The economics ministry said Mr Edmond Alphandery had recently received the views of the privatisation commission on the relative merits of the

two bids. The ministry said the report identified the questions which needed to be discussed in greater detail with the bidders. However, it indicated that it did not express an overall pref-

Once an agreement has been reached between Air France

multimedia alliance

By Michlyo Nakamoto in Tokyo

choice will be presented to the Yesterday's announcement group, have agreed to co-opercoincided with news that the Meridian hotels group fell into a net loss of FFr29.7m (\$5.3m) for 1993, compared with a in this area a step further profit of FFr112m for towards realisation. Multimedia provides interac-

> the home and office. ware, such as video-on-de-

the two companies to develop a software distribution sys-

participate at the end of this year in an interactive multimedia system being tested by Microsoft and TCI, the US cable company

ment will be used for these

The interfaces the two companies will co-operate to develop could include the links between the set-top box and telecommunications net-works, the server and networks, applications and settop boxes, and the server and service programmes, Microsoft

The set-top box is the hard-ware connected with the ter-minal, typically a television set, to allow users to send and receive Interactive informa-

The server is a storage and processing unit that stores information such as video, sound, voice and data and sends such information to users or receives information back from users.

Mycom expands in lottery group

and property group, plans to acquire a 51 per cent stake in Richland Worldwide which has interest in a Papua New ter reports from Kuala

ness in Papua New Guinea.

Microsoft and NTT in

NTT, the Japanese telecommunications company, and Microsoft, the US software ate in developing an interac-tive multimedia system that could take Japan's ambitions

tive text and video services to The two companies are to develop the hardware and soft-

mand, from both the supplier and customer ends. The agreement follows a deal announced in March for

tem. It brings together two of the most powerful companies in their respective industries. Under the deal, NTT will

Microsoft, in turn, will provide its multimedia system software for tests by NTT, which will begin in 1995. The outcome of the joint develop-

Mycom, the Malaysian gaming

Mycom will buy the Virgin Islands-incorporated Richland stake for US\$5m in cash. Richland owns a 70 per cent interest in The Lotto, a company which operates a lottery busi-

MITSUI MARINE

AND FIRE INSURANCE CO. LTD.

NOTICE TO BOLDERS OF

EUROPEAN DEPOSITARY RECEIPTS TO BEARER (EDR'S) accordance with Clause 16 of a point Agreement dated 17th Se ber 1976, Heathrus Benk Limit

Police yesterday seized documents from the Milan headquarters of Gaic, the which was given a mandate to restructure the Ferruzzi group's L30,000bn (\$18.7bn) finance company controlled by Ferruzzi Finanziaria and the family of Mr Camillo De Benedebts on June 4 1993.

In fact, many derivatives spe-

cialists argue, credit risk in the

derivatives market only

becomes a serious problem as a result of market risk: in most

cases where heavy losses have

been incurred, it has been as a

result of a lack of understand-

ing of market risk. Credit risk.

on the other hand, is arguably

the same for derivatives as for

other markets. In its recent

report on derivatives, the US

General Accounting Office con-

cluded from its survey of 14 US participants that the net credit

risk from derivatives at the

end of 1992 was only \$68bn -

much smaller than for loans. (This assumes that netting of

Regulators who are primar-ily concerned about credit risk

could be barking up the wrong tree. Many market participants

derivatives is enforceable).

DERIVATIVES

development, in that part of their investigation concerns the behaviour of Mediobanca, the Milan merchant bank,

Until a year ago, Gaic held a majority stake in Fondiarla, issue, the capital move in

effect removed Fondiaria from Ferfin's control. The Ravenna magistrates are trying to establish at what point Mediobanca was given full control over the Ferruzzi rescue, and the role played by the merchant bank in the Fondiaria affair.

Searching for consensus on risk assessment

Traders and market regulators are changing their focus, reports Tracy Corrigan

think they are, arguing that

regulators pay too little heed to the way that derivatives spe-

cialists look at risk. For a

derivatives trader, the key

issue is the present value of a

particular position, and an

important part of the job is to

create models to calculate this,

The Basle Committee is cur-

rently working on new capital rules for market risk, but the

approach detailed in consulta-

tive papers circulated last year has been widely criticised by

market participants as bureau-

In a recent speech Mr William McDonough, president of the New York Federal Reserve,

noted that market participants are arguing that "the market risk measurement models the

banks had developed for their

own risk management offered

a means to measure capital

using historical data

cratic and antiquated.

Executives at Mediobanca and three other banks involved in the Ferruzzi rescue have been questioned as to whether they had prior knowledge the group's accounts were false. concealing losses of L430bn. All bave denied improper

did not rule it out. The problem, though, may extend beyond regulators. touching the entire conceptual approach to derivatives. Many regulators come from a loan officer tradition or an account-

ing tradition, and therefore their approach may be fundamentally at odds with the way the market actually functions. This explains, too, the grow-ing sense of dissatisfaction with the accounting treatment

proposed supervisory model." Mr McDonough described the

based approach as "a major

step for the international

supervisory community," but

of derivatives, which means that information in company reports on derivatives business is often meaningless. "Accounting should reflect

economics," argues Mr Flavio requirements with greater pre-cision and with much lower Bartman, managing director, commodity derivatives at Mer-

regulatory burden than the of accounting that were drafted for a world where you only had consideration of a modelsbonds and stocks."

According to Mr Michael Black, head of consultancy at CSC Index, who advises firms on derivatives risk management, "accounting systems define value in terms of capital; derivatives in terms of the net present value of a position:

these are apples and pears." Similar problems may arise within the senior management of banks, which often focus too closely on return on capital according to Mr Black.

Derivatives traders them selves, of course, have their own vested interests and preconceptions. But, increasingly, finding transferable values which allow traders, regulators, accountants and senior managers to discuss risk man-agement in the same terms is the current debate.

Air France, which suffered losses of FFr8.48bn last year, raise cash to reduce

Bombardier buys Eurotunnel shares

By Robert Gibbens in Montreal

Bombardier, the Canadian aerospace and transport group, has been buying Eurotunnel shares on the stock market.

Mr Laurent Beaudoin, chairman, speaking at Bombardier's annual meeting, said he regarded Eurotunnel's share price following the rights issue as highly attractive. Bombardier would not reveal the size of its purchases.

We may well buy more Eurotunnel shares in the near future, though we don't have any specific target," he said.

We are convinced Eurotunnel shares will rally sharply as the Channel Tunnel system comes into full operation in the next year and revenues build up. We are confident the stock will prove an excellent investment for Bombardier share-

holders. Bombardier took delivery of 25m Eurotunnel shares following the completion of the Eurotunnel rights issue as partial

received C\$157m (US\$120.7m) However, it cannot sell any of the block of Eurotunnel shares until the last shuttlecar is delivered next year.

compensation for design

changes and cost over-runs on its \$600m shuttlecar contract

for the tunnel. It also has

Mr Beaudoin announced a 34 per cent increase in Bombardier profits for the 1994 first quarter and said the gain was indicative of results for the full

Business is strong in all divisions from aerospace, transit equipment to snowmobiles, watercraft and financial services Losses on the transit reduced and aircraft deliveries will total more than 100 units

Bombardier is close to approving plans to build a 70seater regional jet. Mr Beau-doin said the decision would be made before the end of the

The move was ordered by Ravenna magistrates investigathe insurance group. The docuting the parallel accounting ments seized relate to a board and alleged illicit financial meeting of June 29 1993, which decided to raise L1,000bn for operations of the Ferruzzi group that forced its collapse last June. Fondiaria. Since Gaic lacked the funds to subscribe to the It is a potentially important banking conduct.

Police seize papers at Ferruzzi unit | S&P changes outlook for Exxon to negative

By Richard Waters in New York

Standard & Poor's, the US rating agency, put another question mark over the top credit rating of Exxon after last week's jury verdict that the US oil company had acted recklessly in the Exxon Valdez oil spill in Alaska in 1989.

The agency affirmed Exxon's triple-A rating, but changed the outlook to negative. This the energy industry.

echoed an earlier move by Moody's, the other leading US

rating agency.

The jury verdict leaves Exxon open to an assessment for punitive damages of up to \$15bn, in addition to actual damages claimed of \$1.5bn. The company has argued it should not pay any punitive damages. Exxon, with Royal Dutch/ Shell, has long been seen as one of the strongest credits in



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surregada:
Tokyo.

J. Parpose of the Meeting:
Mattern to be reported:
Bestsons Report, Balance Sheet and
Bestsons Report, Balance Sheet and
Sessenment for the 77th business
1993 to March 31s

Matters to be resolved: FIRST ITEM: Approval of Propesal for Profit Appropriation for the 77th

business year.
SECOND ITEM: Partial amounts
to the Articles of Incorporation. to the Articles of Incorporation.
The unistance of this liter is contained in the "Reference Document Concerning Exercise of Voting Right".
THIRD ITEM: Election of twenty-

aine (29) Directors. POURTH ITEM: Election of four (4) Hambros Bank Limited



nce with the provisions of the Notes, notice is bereby notes will bear interest at 5.1875% per annum, Interest comple on 21 September 1994 payable on 21 September 1999 per \$100,000 note will amount

COMPAGNIE BANCAIRE Floating rate notes due 1995 Initial Tranche \$200,000,000 For the interest period 21 June 1994 to 21 September 1994 the

Agent: Morgan Guaranty Trust Company JPMorgan

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Figating Rate Notes Due 1997

In accordance with the provisions of the Floating Rate Notes, notice is hereby given as follows:

Rate of Interest : 5% % per ennum

est Period : 22nd June, 1994 to 22nd December, 1994 (183 days)

(per note of US\$50,000) US\$ 13,343.75

(per note of US\$500,000)

LTCB Asia Limited

Floating Rate Notes due 2000

given that for the Interest Period from 23rd June, 1994 to 23rd mber, 1994 the Notes will carry an interest rate of 4.9375% mum. The interest payable on the relevant interest payment date, 23rd December, 1994 will be US\$250.99 per US\$10,000

Market-Eye

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Notes and US\$6,274.74 per US\$250,000 Note. to \$1,307.53. Istituto Bancario San Paolo di Tormo, London az Agent Bank.

Global net capital flows

\$5n, annual everages

1975-80

1981-85

oping world rose to around

\$160bn in 1993, from an aver-

age of \$37bn a year in the

The BIS said that capital has been particularly directed to

Latin America (where inflows

amounted to almost 5 per cent

of GDP last year) and to lower

wage Asian developing coun-

tries (about 4 per cent).

These capital inflows have

been broadly welcomed as a return to the "correct" flow of

capital between developed and

developing countries - a trend

which was interrupted by the

period from 1986 to 1990.

Parker & Parsley Burns Philps | Liberation movement lifts Latin America files suit against Bridge bid rival

By Nikki Talt in Sydney

planned to have "petroleum engineering staff examining Parker & Parsley, the and evaluating data" related to Bridge Oil's US subsidiary with the aim of "fully evaluating Texas-based oil independent which is bidding for Sydney-based Bridge Oil, has begun legal proceedings against Gantry, the rival suitor for Bridge, options regarding the current offer of 80 cents a share". in the Dallas district courts. P&P claimed that Gantry.

whose bid has been recom-mended by the Bridge board, had access to additional, non-Gantry is the bid vehicle being used by JEDI, an investment partnership owned jointly by Enron, the US natupublic information at Bridge ral gas company, and the Calif-Oil (USA). It has demanded ornia Public Employees Retirement System, one of the Bridge shares remained biggest US public pension pegged at the 85 cents price bid by Gantry for most of yester-

On Monday, Gantry entered the bidding for Bridge, offering 85 cents a share in cash and valuing the Australian company - whose assets span both the US and Australasia - at

A\$356.7m (US\$274.3m). This topped the P&P offer, increased only minutes previously, of 80 cents at share.

P&P said that its suit alleged breaches of the US Securities Exchange Act, under which companies making a tender offer are prohibited from purchasing shares outside that offer, unless a waiver has first been obtained from the US Securities and Exchange Commission.

It has also sought an order barring Gantry/JEDI from buying shares in Bridge, outside of

in A\$117m German purchase

Burns Philps, the Australian group which has been pruning its diverse business interests in order to concentrate on "core" food and ingredients operations, is buying Deutsche Befewerke, a German baking yeast and yeast extract business, for around A\$117m (US\$90m).

DHW is being sold by Veba, the large German energy, chemical and trading group, and comprises three factories, in Hamburg, Nuremberg and Leipzig. It has annual sales of around DM100m (\$61.3m) and

employs some 315 people.
In Sydney, Burns said that
the deal, which is still subject to approval by Germany's Federal Cartel Office, would lift its share of the global yeast extracts market to around 15 per cent. Its share of the German baking yeast market would stand at around 30 per

Burns Philps already owns Mauri Products, a yeast manu-facturer in the UK and has been aggressively building up overseas food ingredient interests recently.

Earlier this year it purchased Ostmann, Germany's biggest retail spice manufac-turer. Burns said it saw "syn-ergistic benefits" from combing its existing yeast and

By Nikki Tait

there have been many liberation movements over the last 30 years. But while women and some national minorities may still be battling for their freedom. there is one constituency which has been remarkably successful in liberating itself capital.

Before the breakdown of the Bretton Woods exchange rate system in the early 1970s, it was time-consuming, expensive and difficult for citizens of most industrialised countries to buy foreign assets. Now, after two decades of

liberalisation and deregulation, freedom to own capital abroad has extended beyond the industrialised countries to include the "emerging markets" of Asia and Latin America.

Figures from the Bank for International Settlements' annual report, published last week, show the scale of today's international capital markets. In the first half of the 1980s, gross capital outflows from the major industrial countries (excluding official and shortterm banking transactions) were around \$100bn a year. By 1993, flows reached \$850bn.

While the recent falls in world bond and equities markets may have slowed the relentless acceleration of such flows, it seems likely that growth will resume.

In the 1990s, the emerging markets have been the fashiondebt crisis of the 1980s. But the BIS warns that there able home for international were important differences in the nature of the inflows to the investments. According to the BIS, net inflows into the devel-

might create problems for Latin America in later years. According to the BIS: "A large proportion of Asian capi-tal inflows has been closely linked to increased domestic investment and imports of investment goods. This has contributed to real exchange rate stability in the region and has also helped to prevent excessive increases in domestic liquidity. In Latin America, by contrast, the influx of foreign capital - dominated by portlolio and short-term financial flows - was less directly asso-ciated with increased imports

of investment goods and there

was a greater degree of upward

interest rates. Combined with liberalisation measures by local governments, this encouraged the repatriation of some of the flight capital which left the region during the 1980s. Many currencies in the Latin American region failed to depreciate against the dollar as quickly as inflation differen-

short-term capital flowed in to

Latin America was high real

tials suggested. As the BIS comments, "this made investing in short-term assets denominated in local currency attractive at a time when US short-berm interest rates were ".woi vilauzuau The real appreciation of the

Latin American currencies was probably boosted by the scale of the continent's economic and financial reforms. The Asian countries had been much better at controlling inflation and restraining their fiscal deficits. In Latin America, however, policies in both areas had been lax, and accordingly the change in sentiment, which followed the implementation of reform programmes, created sharp upward pressure on the region's currencies.

But the impact of an appreciation in the real effective exchange rate, says the BIS, is likely to be a deterioration in the competitiveness of an economy's tradable sector and therefore a deteriorating current account deficit.

Investment in Asia has been much higher than in Latin America, helped by high

The region has been one of the main beneficiaries of free capital, writes Philip Coggan One reason why so much domestic savings rates. By investing in the export-creat ing manufacturing sectors. some (but not all) Asian countries have been able to offset pressure on their current accounts.

The BIS says further reforms are needed in Latin America if the region is to hold on to the benefits achieved through recent stabilisation programmes. Infrastructures need to be improved in many countries; the problem of poverty needs to be tackled, to prevent social unrest undermining the reform climate; and domestic financial markets need to be reformed to help countries cope with the effects of the massive capital inflows they have received.

urthermore, the inflows have increased Latin America's vulnerability to external shocks, such as higher international interest rates. This problem has already been seen this year in the sharp fall in Latin American debt markets, which followed the US Federal Reserve's decision to push up short-term interest rates

To date, the developing countries have mostly seen the positive side of the expansion of the international capital markets. The strength of their financial systems (and their commitment to liberalisation) may be tested when the flows start to reverse. In this regard, Latin America may be more vulnerable than Asia.

Zambia Consolidated Copper falls into red

By Kenneth Gooding, Mining Correspondent

Zambia Consolidated Copper Mines, the world's fourthlargest copper producer, yes-terday revealed a net loss of K72.6bn (\$99m) for the year ended March. It had previously warned of a poor result.

In the previous 12 months there was a net profit of

However, Mr Edward Shamutete, chief executive, said last month that although production difficulties caused a loss tonnes to 392,000 tonnes.

in 1993-94, ZCCM expected to break even in the current year and to be profitable in 1995-96. ZCCM, which is listed in London, is being prepared for full privatisation by the Zam-

day, although one trade after

the market closed lifted the

● The A\$500m bid by Mr Graeme Hart, a New Zealand

businessman, in conjunction

with Coles Myer, for Austra-

lia's Foodland Associated has

been referred to the federal

Treasury, "to examine poten-tial implications for competi-

tion policy".

Under the proposed deal,
Coles – one of Australia's larg-

est retail groups - could end up owning the Australian

assets of Foodland. This could

give Coles a significant stake

In the federal parliament,

Senator Peter Cook, industry

minister, said the government

in the West Australian grocery

shares to 86 cents.

year down from K108bn. Copper production fell from 432,000

bian government which owns 60 per cent, but the timing is far from clear. Anglo American Corporation of South Africa owns 27 per cent of ZCCM via

Zambia Copper Investments. At the operating level, ZCCM made a profit of K4.9bn last

Petron shares up for auction

The Philippine government will auction to the highest bidder 300m shares in Petron, the country's biggest oil refiner, Reuter reports from Manila. Mr Delfin Lazaro, Energy Secretary, said: "It is possible that a single bidder can acquire all 300m shares." A further 700m will be sold at a fixed price of between seven

The government plans to retain 40 per cent of Petron through Philippine National Petron is expected to be

and 11 pesos (US 40 cents).

listed on the Philippine Stock Exchange by September.

SA eco-tourism group expands through a R15m issue of new By Mark Suzman

Conservation Corporation, the South Africa eco-tourism group, plans a R66m (\$18m) expansion into east Africa through the purchase of two wildlife lodges in Kenya and Tanzania and a share of an important hotel group in the

region.
The two lodges, Kichwa Tembo Camp in Kenya and Ngorongoro Crater Lodge in Tanzania, and the hotel group, Windsor Hotels, are part of the Abercrombie and Kent Group. The deal has been financed

Conservation ordinary shares to the vendors and R51m in cash, which was raised through rights issues partially underwritten by Hambros Bank in London.

Mr Geoffrey Kent, Abercrom-bie and Kent chairman, will become joint chairman of Conservation with Mr David Varty. the current chairman. Mr Steve Fitzgeral, former chief executive of Halcyon Hotels, has been appointed managing

According to Mr Alan Berstein, Conservation's deputy chairman, the move signals a belief in the strong potential of African tourism.

"We expect to be very well positioned to take advantage of a positive trend in the South and east African tourist markets," he said.

Conservation, which was founded four years ago, is regarded as one of the premier eco-tourist operations in South Africa, where it runs four game lodges.

The Abercromble deal is widely seen in South African financial circles as a precursor to a stock market listing in the next couple of years, either in London or Johannesburg.

Investment bank set up in Czech Republic and is 75 per cent owned by its

By Vincent Boland in Prague

Three former executives of CS First Boston's Prague operations yesterday launched the first fully Czech-run investment bank catering to the country's growing number of corporate and private clients. The new bank, Patria Finance, is headed by Mr Zdenek Bakala, who once worked in corporate finance with

Drezel Burnham Lambert in New York. Patria Finance has start-up

management. A group of Swiss investors owns the balance. Mr Bakala said Czech corporate clients are largely ignored in the country's financial services market. Investment banking services are currently offered either by commercial banks as a supplement to their core lending activities or by international investment

capital of Kcs100m (\$3.57m),

banks which cater to overseas clients and operate with "little regard for the specifics of the emerging local capital

SIOB

THE SECURITIES AND INVESTMENTS BOARD

NOTICE OF REVOCATION OF RECOGNITION OF LAUTRO

AS A SELF-REGULATING ORGANISATION

The Securities and Investments Board in exercise of the powers conferred by Section 11 (1) (c) and Schedule 11 paragraph 5 of the Financial Services Act 1986 has revoked the orders of 28 April 1988 recognising LAUTRO Limited (Life Assurance and Unit Trust Regulatory Organisation) as a self-regulating organisation and as a self-regulating organisation for friendly societies for the purposes of the Act.

The revocation orders make transitional provisions for protecting investors and the legitimate interests of LAUTRO members. They come into effect for certain purposes on 1 October 1994.

Details of the transitional provisions may be obtained by any person likely to be affected by the revocation orders from SIB at Gavrelle House, 2-14 Bunhill Row, London SCIY SRA (Telephone 071 638 1240).

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THE SECURITIES

AND INVESTMENTS BOARD

NOTICE OF REVOCATION OF RECOGNITION OF

FIMBRA

AS A SELF-REGULATING ORGANISATION

The Securities and Investments Board in exercise of the powers

conferred by Section 11 (1) (c) of the Financial Services Act 1986

has revoked the order of 14 December 1987 recognising the

Financial Intermediaries Managers and Brokers Regulatory Associ-

ation as a self-regulating organisation for the purposes of the Act.

The revocation order makes transitional provisions for protecting

investors and the legitimate interests of FIMBRA members. It

Details of the transitional provisions may be obtained by any person likely to be affected by the revocation order from SIB at

Gavrelle House, 2-14 Bunhill Row, London ECIY SRA (Telephone

ARCRAFT LEASE PORTFOLIO
SECURITISATION 92-1 LIMITED
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U.S.\$70,400,000 Secured Class A3 Floating Rate Notes due June 1997

Notice is hereby given that the Rate of Interest has been fixed at 5.325% and that the interest payable on the relevant interest payment Date September 23, 1994, in respect of U.S.\$55,700 nominal of the Notes will be U.S.\$757.98 and in respect of U.S.\$27,850 nominal of the Notes will be U.S.\$78.98.

June 23, 1994, London By: Citibenik, N.A. (lesuer Services), Agent Bank CITIBANCO

comes into effect for certain purposes on 1 October 1994.

071 638 (240).

U.S. \$150,000,000 Financière CSFB N.V.

Junior Guaranteed **Undated Floating Rate Notes**

Guaranteed on a subordinated basis as to payment of principal and interest by

Financière Crédit Suisse-First Boston



Interest Rate Interest Period

4.75% per annum 23rd June 1994 23rd September 1994

Interest Amount due 23rd September 1994 per U.S. \$ 5,000 Note per U.S. \$100,000 Note

U.S. \$ 60.69 U.S. \$1,213,89



CS FIRST BOSTON Agent

Standard & Chartered

Standard Chartered PLC (Incorporated with limited Rability in Emaland)

£300,000,000 Undated Primary Capital Floating Rate Notes of which £150,000,000 comprises the Initial Tranche

in accordance with the Terms and Conditions of the Notes, notice is hereby give that for the three months period (92 days) from 22nd June 1994 to 22nd September 1994 the Notes will carry an Interest Rate of 5 5/16 per cent per

The interest payment date will be 22nd September 1994. Coupon No. 37 will therefore be payable on 22nd September 1994 at 677.39 per coupon from Notes of £50,000 nominal and 67.73 per coupon from Notes of £5,000 nominal.



J.Henry Schroder Wagg & Co. Limited Agent Bank

AIRCRAFT LEASE PORTFOLIO SECURITISATION 92-1 LIMITED

J.S.\$104,200,000 Secured Class A2 Floating Rate Notes due June 1997 Notice is hereby given that the Rate of interest has been fixed at 5.8% and that the interest payable on the relevant Interest Payment Date December 23, 1994, in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$294.83 and in respect of U.S.\$100,000 nominal of the Notes will be U.S.\$2,348.33.

June 23, 1994, Landon By: Chibank, N.A. (Issuer Services), Agent Bank CITIBANKS

Petroleum Argus Oil Market Guides Petroleum Argus





(Incorporated with limited liability in Austria)

U.S. \$75,000,000 Subordinated Floating Rate Notes due 1999
In accordance with the terms and conditions of the above-mentioned Notes notice is hereby given that the Rate of Interest has been fixed at 5.25% per annum and that the interest payable on the relevant Interest Payment Date December 23, 1994, against Caupan No. 20 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$266.88.

BAWAG

By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANCO



idland Bank pic Undated Floating Rate Primary Capital Notes

Landar, Agent Back

June 23, 1994

Notice is hereby given that for the sit norths interest Period from June 23 norths intenset Pendo from June 23, 1994 to December 23, 1994 (183 days) the Note Rate has been determined at 5.25% per annum. The interest payable on the relevant interest payable on the relevant interest payable of the 250 feet by U.S. \$266,68 per U.S. \$10,000 nominal amount. Br: The Chase Machallac Back N.A.

American Express Travel Related ing Rate Notes Due 1996 (the "Notice is hereby given that for the littree months; interest, period from June 23, 1994 to September 23, 1994 the Notes will carry an interest rate of 5%, per annum. The interest psychio on the interest psyment date, September 23, 1994 will be U.S. \$127.78 and U.S. \$1,277.78 and U.S. \$10,000 and U.S. \$10,000 and

U.S. \$125,000,000

U.S. \$100.000 By: The Chare disellation Bank, If A. Lordon, Principal Paylog Agent and Agent Book une 23, 1994

RIGGS NATIONAL CORPORATION US \$100,000,000
FLOATING RATE SUBORDINATED NOTES DUE 1996 In accordance with the provisions of the Notes, notice is hereby given that for the partod 22 June 1994 to 22 September 1994 the Notes will carry a rate of hotsess of 54% per sumum with a coupon amount of US\$ 134.1?

LOW COST SHARE DEALING SERVICE 081-944 0111 SOVEROM \$10 MINDLEM TO

et Financial Group US\$100,000.000 Floating Rela Subordinated Capital Notes Dise 1990 or the three months 20 June 1984 to 20 rate of 4.725% per arrum and or US\$12.08 per US\$1,000 nose.

BUSINESSES FOR SALE Access in the Financial Times sdays, Fridays and Saturdays. For turther Information or to advertise in this section please contact Karl Layston on 071 873 4780 or Melanic Miles 071 873 3308

THE THAILAND INTERNATIONAL FUND LIMITED laterastional Depository Receipts issued by Morgan Gustainty Trust Company of New York Evidencing beneficial Certificates Representing 1,000 esting 1,000 Unit lotice is hereby given to the unitholders that the Thelland lane

tion a distribution of USO 0.30 per share. The Record Data for this dividend is As of Issue 27, 1994 payment of coupon number 3 of the International Depositary R will be made in US dollars at the rate of 300 per IDR less Und 0.75 depositary fees. Payment will be made at one of the following offices of Morgan Guaranty Trust Cor

..., rvenne des Arts 1, Angel Court 44/46 Maister Landstresse 38, Stockerstrasse

36, Seneketgyzajae zanty Trust Company o*l New York, Brussela Oli*sce

Marine Midland Bank N.A. ·U.S. \$125,000,000 oating Rate Subordinate Capital Notes due 1996

for the three months 23rd June 994 to 23rd September, 1994 the Notes will carry an interest nace of 55% per annum with a coupon amount of U.S. \$134.17 per U.S. \$10,000 Note and U.S. 670.83 per U.S. \$50,000 Note.

Bankers Trust

THE BUCKS

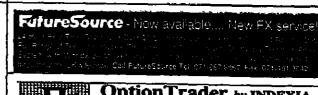
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CLERKS BOOK MA

Fed reassurances help recovery in US and Europe Taiwan groups

By Frank McGurty in New York and Graham Bowley in London

US and European government bond markets recovered some of their recent losses yesterday, prodded by a firmer dollar and reassuring comments on inflation from Mr Alan Greenspan, chairman of the US Fed-

By midday, the US benchmark 30-year government bond was 🖁 higher at 85#. The yield eased to 7.43 per cent, well below the 7.50 per cent mark breached the previous session. At the short end, the two-year note was i better at 99%, to yield 6 per cent.

Mr Greenspan told the US House budget committee that the outlook for US inflation was "quite reasonable", and that "monetary policy is dedi-cated to making sure that it

The improvement followed a Fed chief's remarks. His com"There was nothing new irming trend by the US curment that the Fed could not from the Fed, but in a bear firming trend by the US currency, which had set a postwar record low against the yen during Tuesday's trading session. Gains struck by the dolyesterday allowed traders to take advantage of bond

GOVERNMENT BONDS

prices driven lower in recent days by fears of an imminent tightening of monetary policy. The market's attention was focused on Capitol Hill, where the Federal Reserve chairman, ed on Capitol Hill, where Mr Alan Greenspan, testified before the House budget com-mittee. Fixed-rate investors were looking for clues on the timing of the central bank's next rate increase, especially during the question-and-an-swer period which followed the

ignore currency movements did not pass unnoticed by trad-

Meanwhile, commodity prices were co-operating again, with gold and the Commodity Research Bureau's 21-product index both extending their recent string of declines.

The European rally, which

came late in the afternoon, saw German government bonds rise by about one point. It fol-lowed an earlier technical squeeze upwards in most European markets, as traders moved to cover short positions. The rebound was largely technical, and a result of the largely bullish noises coming from the US," said Mr Ian She

land Global Markets in Lon-

"There was nothing new market where people are expecting only bad news, reassurance that what the Fed is doing is moving monetary policy into neutral to combat inflation is welcome," he said.

■ German government bonds moved higher in response to Mr Greenspan's comments, and as a result of the slightly firmer tone to the dollar. The market moved higher in

early trading, as investors moved to cover short positions. "It broke through important technical levels around 90.65 and found support to move bigher from there," said one trader in Frankfurt. Analysts said attention would be on today's Bundes-bank meeting at Potsdam, near

today. The Bundesbank yesterday allowed the repo rate to fall 5 basis points to 5 per cent. This was in line with expectations and had little impact on the

market. The September bund

contract was up 1.93 points at 92.29 in late trading.

will be keen to hear the Bund-

esbank's latest views on infla-

tion and M3 money supply

growth. Also of interest is US

durable goods data published

■ UK government bonds moved higher, taking heart from Mr Greenspan's remarks and the fact that the published minutes of the May 4 meeting between the UK chancellor and the governor of the Bank of England showed no immediate inclination to raise interest

"There was some relief, espe-cially for the short-end of the

market, that a rate rise was not considered and after Mr Greenspan side-stepped the issue of the recent dollar weakness, fears of an imminent rise in US rates [were allayed]," said one analyst

The long gilt future was up 1# points in late trading at

■ The French and Italian government bond market moved higher in line with the rest of Europe. Italy in particular performed well, buoyed by remarks from Treasury and Bank of Italy officials concerning the need to control the Italian budget deficit.

The September notional French bond futures contract on Matif closed at 113.44, up L14 points on the day. The Italian September BTP futures contract on Liffe was up 2.50 points at 103.85 in late trading

continuing fragility in the UK

government bond market. They also thought the pricing,

to yield 22 basis points over

comparable gilts, was at least

five basis points too tight.

Standard & Poor's, the inter-

national rating agency, has

lowered the long-term senior

rating of Crédit Lyonnais, to

A-minus from single-A, to

reflect the severe asset quality

pressures which have affected the French bank. The outlook

on the rating is negative.

The issue will be leadlead, a senior finance manager at the group said.

may be exchanged into shares in Tonyi Industrial Corp. a listed subsidiary and Taiwan's and Nanya Plastics, part of the Formosa Plastics group, earlier

this week began a joint tricontinental tour in Singapore

Bond specialists named

on the road with \$700m in issues to raise \$300m each through a convertible bond issue.

The coupon rate is expected

to be between 1.75 and 2 per cent, and the conversion pre-

and 10 per cent, according to a manager in Formosa Plastics'

cracker complex. Formosa

Plastics is Taiwan's biggest

mium will be set at between

finance department.

By Laura Tyson in Taipei

Two big stock market-listed Taiwanese companies are launching global roadshows this week for equity-linked bond issues worth \$700m. The deals reflect the increasing appetite of local companies for The funds will be used to finance a \$7.8bn naphtha overseas funds.

President Enterprises. Taiwan's biggest foods conglomerate, will kick off an international roadshow in Hong Kong today aimed at promoting the \$100m issue of what will be Taiwan's first exchangeable bond issue.

managed by Bankers Trust, with Banque Paribas as co-

To avoid dilution of shares in the parent company, the bonds

private-sector conglomerate Formosa Plastics itself plans to issue another \$300m in convertible bonds later this year. Euroconvertible bonds have now been issued by 16 Talwanese companies, and five have issued global depository

Under existing Taiwan securities regulations, foreign holders of equity-linked bonds issued by Taiwanese companies are not permitted to convert them into listed

However, it widely understood the government is considering a change in the conversion laws, possibly within the next two years.

biggest producer of tin plate. Formosa Chemical & Fibre

Ten banks will become super primary dealers on the Italian bond market from July 1, Reu-

ter reports from Milan. Banca Commerciale Italiana, Banca di Roma, BankAmerica Corp's Bank of America. Caboto, Cassa di Risparmio di Torino, Credito Italiano, Istituto Bancario San Paolo, Monte dei Paschi di Siena J. P. Morgan and Sigeco will all

The banks will be able to

paper.

The central bank said the new bond specialists must have net assets of at least L75bn (\$47.4m) from March next year. The list of super primaries will be reviewed annually. Primary and super primary dealers will now have to inform the Bank of Italy every become "bond specialists", month of their auction activiaccording to the Bank of Italy. ties, including those for non-

special rights to subscribe to

German bank postpones rights launch

Bayerische Hypotheken-und Wechsel-Bank, Germany's fifth largest bank, has postponed a DMIbn rights issue indefinitely because of weak stock market conditions, writes David Waller in Frankfurt.

The 1-for-10 issue was announced in early May. shortly after the Bavaria-based bank reported a 33 per cent rise in earnings for last year. Since then, bank shares have underperformed the DAX index of leading German

mont banks

Republication Republication

Meanwhile, Daimler-Benz, Germany's biggest industrial company, insisted it would not pull its DM3bn international offering. This is in spite of a narrowing of the gap between the price of the new shares and the market price, from 20 per cent when first announced to 13 per cent yesterday.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Warm reception for Fannie Mae global debut

Berlin, after which there will

be a press conference. They

By Antonia Sharpe

Fannie Mae, one of the world's biggest issuers of long-term debt, could become a regular borrower in the international bond market following its suc-

INTERNATIONAL BONDS

cessful debut yesterday. With extensive pre-market-ing, the triple-A rated US mortgage agency's \$1.50n offering of 10-year global bonds was received favourably by investors. The warm reception enabled the bonds to be priced to yield 25 basis points over US Treasuries, in line with market

Joint lead manager Merrill Lynch said strong demand from European investors, and the fact that the bonds were not callable, had allowed Fannie Mae to achieve better fund-

ing rates than in the domestic market, where its bonds traded at a yield spread of around 29 hasis points over Treasuries. Many of Fannie Mae's domestic bonds are calla-

Ms Linda Knight, Fannie Mae's treasurer, said the agency had delayed its entry into the international bond market to await the fruits of its efforts to build up a domestic market in callable bonds. This market was now a powerful funding tool for the agency. which last year issued \$46.4hn worth of long-term debt. It is likely to raise similar amounts this year.

However, Ms Knight said the change in the interest rate climate this year had prompted Fannie Mae to increase its issuance of non-callable debt. She said she had opted for the global bond market, where spreads were tighter than at home and where the lack of

MOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES

Italy

NEW INTERNATIONAL BOND ISSUES US DOLLARS Fannie Mas Jul 2004 0,325R +25 (71/19-04) Memil Lynch/JP Morgen STERLING Republic of Austria Jul.2004 0.325R +22 (E%%-04) Merrill Lynch International CANADIAN DOLLARS Rabobenik Nederland Prudentilei Funding Corp. Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the less manager, #Sami-annual coupon, P: foxed re-offer price; fees are shown at the re-offer level, a) Over interpolated yield.

high-quality borrowers worked in Fannie Mae's favour. "Now that we have developed the capability in the global bond market, we could well come back," she said.

J. P. Morgan, the other joint lead manager, said at least 60 per cent of the offering had been placed with European and Asian investors.

However, other syndicate managers said only time would tell whether or not such a large proportion would stay

outside the US in the long

Fannie Mae's smooth entry bodes well for Freddie Mac, the other US mortgage agency scheduled to launch its first global bond offering early next month. This deal is likely to raise at least \$1bn, but have a shorter maturity.

The market was less enthusiastic about Austria's £200m offering of 10-year eurobonds, which several syndicate managers said was hampered by

afters serve were a	ember co	D) OIL	Life Ide	ne re refe	LL V G.		ne oar	TP2 441	II DÇ I	ZDIC K	, , , , ,	menr cr	ients.		
FT-ACTUARIES	FIXED	INTERES	T INDI	CES								_			
Price indices UK Gifte	Wed Jun 22	Day's change %	Tue Jun 21	Accrued Interest	xci acij. ytd	_						ki yleki - Y <u>r. ag</u> o			
Up to 5 years (24)	120,48	+0.06	120.41	1,49	5.77	5 yrs	8.52	8,54	7.03	8,66	8.68	7.21	8,79	8.81	7.39
5-15 years (22)	137.77	+0.08	137.69	1.94	8.42		8.68	8,67	8.02	8.83	8.83	8.13	9,12	9.12	8.39
Over 15 years (9)	154,28	-0.07	154.39	2.66	5.41	20 yrs	8.61	8,60	8.18	8.83	8.83	8.24	8.92	8.91	6.44
Irredeemables (6)	173,55	-0.04	173.61	1.86	6.36		8.71	8.71	B.34						
All stocks (61)	135.94	+0.04	135,89	1.91	6,09										
ndez-linked									on 5% 1 21 Yr.			Infletio n 22 Jun			
Up to 5 years (2)	185,87	+0.25	185.42	1.12	2.53	Up to 5 yr	B 3.	.B1 3	.90 2	199		.75 2	.83 2	.21	
Over 5 years (11)	170.02	+0.53	169.12 .	. 0.61	2.65	Over 5 yrs	3.	.95 3	.99 3	L54	5	.75 3	.79 3	35	
All stocks (13)	170.79	+0.50	150.94	0.86	2.83	• • •			• •	•					
Debentures and Loans							6 Jun 22	year yie Jun 21	kd Yr. ago	1: Jun 22	5 year yî Jun 21	eld Yr. ago	—— 2 Jun 22	5 year yê Jun 21	eld Yr. agr
Dehe & Loene (76)	128.01	-10 RB	125.14	2.08	5.65		0.05	0.90	9.74	9.77	0 R7	0.11	0.60	0.76	0.97

	Coupon Date	Price chan	ge Yield ago	ago .	(LEPE)	Lint 200m	100ths of	100%		_		
Australia	9.000 09/04	95.1900 +0.07				Open	Sett price	Change	High	Low	Est. vol	Open int.
Selgium Canada *	7.250 04/04 6.500 06/04	94.3600 +1.05 81.4500 -0.25			Sep	101.81	103.85	+2.10	104.46	101.81	58441	64370
Denmark	7.000 12/04	90.3000 +0.50	0 8.42 8.09	7.69	Dec		102.80	+2.10			0	100
France BTAN CAT	8.000 05/98 5.500 04/04	103,1250 +0.88 85,5900 +1.85		6.38 7.13	тала	GOVT. BO	NID STEP	RITURES (DETIONS (200m 100t	bs of 100%
Germany Treuhand	6,750 05/04	96,8700 +0.88	0 7.20 7.12	6.91	Strike		CAL		, , ,		PUTS -	
italy Japan No 119	8.500 01/04 4.800 08/99	88.8000 +2.30 103.9880 +0.17		9.46 3.00 .	Price	8	iap	Dea		Sep		Dec
No 164	4.100 12/03	97.9260 +0.59 90.6800 +1.50		3.73 6.03	10350 10400		56 . 29	3.30		221 <u>.</u> 245		4.00 4.28
Netherlands Spein	5.750 01/04 10,500 10/03	97,7000 +0.58		9.62	10460		.04	2.87		2.69		1.20 1.57
UK GIRS	6.000 08/99 6.750 11/04	90-17 +26/3 87-14 +62/3		7.79 8.27	Est. vol. total	i, Cuin 2584	Puta 2133. F	hawlous day	open int.,	Callis 25957	Puis 22132	
	9.000 10/08	103-00 +57/9	2 8.63 8.54									
US Treasury *	7.250 05/04 6.250 08/23	100-23 +13/3 85-29 +23/3		7.19 7.44								
ECU (French Govt)	6.000 04/04	85.6500 +0.94			Spain							
London closing, 'New Y † Grees (including with	ork mid-day		Yields: Local rog	riest standard.		UAL, SPANK	SH BONED F	UTURES (MEFF)			
Prices: US, UK in 32nd	s others in decimal	Cont. Disputed by taxa	Source: MAG	\$ Internetional		Open	Sett price	Change	High	Low	Est. vol.	Open int.
US INTERES	rates_				Sep	87,25	88.54	+0.84	86.64	87,25	93,182	93,643
Lunchtime		Treasury Billis a	· <u>-</u>		Dec	87.55	89.63	-3.00	87 <i>.5</i> 5	86.63	2	3
Prime rate	One mode . Ty, Two mode .	174	Two year	6.02 6.29 6.75								
Breiter loan rate	5½ Three worth		Pag year	6.75 7.15 7,44	UK							•
Fed.foods at Intervention	- One year	5.25	30-year	7,44	II NOTION	UAL UK COL	J FUTURE	S (LIFTER S	50,000 32	nds of 100	%	
					,	Open	Sett price	Change	High	Low	Est. voi	Open int.
BOND FUTU	res and of	PTIONS			Jun	100-00	101-01	+1-19	101-00	99-29	626	9095
-			•		Sep Dec	68-16	99-25 98-25	+1-18 +1-18	100-08	98-12	55705 0	122219 57
France IL NOTIONAL FREN	CH ROWN III III III	PŠ MATIPI				MET FUTUR			250,000 64	the of 100		
			Low Est vol	Open Int.	Strike		CAL				PUTS	
Open Sep 112,44	Sett price Char 113.44 +1.		LOW 251, VOL 12,38 273,945	133,208	Price		Sep	Dec		Sep		Dec
Dec 111.66	112.52 +1.	12 112,42 1	11.48 674	10,758	99 100		-48 -13	3-33 3-06		1-62 2-27		3-47 4-19
Mar 110.66	111.72 +1.		10.88 4	-	101	` 1	-48	2-43		2-62		4-57
E LONG TERM FR	CALLS		PUTS		Est. vol. tota	al, Casta 4079	Puta 1561. 1	Provious day	e ober per	Çalib 56479	Puta 43094	
Strike Price J		Dec Jul	Sep	Dec								
112 1.	77 -	- 0.4	1.75	3.10								
113 1. 114 0.		- 0.75 2.04 1.24		-	Ecu							
115 0.	30 1.52		3.05		ECU BO	NO FUTUR	HES (MATTE	<u> </u>				
116 0.1 Est. vol. total, Cate 34,		1.20 -	Colle 200.840 Pres	4.73 350.467.	_	Open	Sett price	Change	High	Low	Est. vol.	Open Inc.
_	PUBLICATION TO		, 443900 FMS		Sep Dec	81.30 -	82.08 81.64	+1.00 +1.40	82.10 -	81 .30 -	1,084	6,301
Germany Notichal Ger	MAN BUND FUTUR	ES (LIFFE) DM250	,000 100ths of 10	0%								
Open	Sett price Char		LOW Est vol	Open int.	US							
Sep 90.22	81.90 +1.4	54 92.35 9	0.20 193532	160494	S US TRE	ASURY BO						
Dec 90.00	91.17 +1.	50 90.50 9	0.00 2458	2397	0	Open	Latest	Change	High 103 to	Low	Est. vol.	Open int.
E BUND FUTURES	OPTIONS (LIFFE)	3M250,000 points o	f 100%	·	Sep Dec	102-14 101-23	102-27 102-02	+0-14 +0-12	102-30 102-07	102-13 101-22	490,430 1,979	368,574 37,923
Strike	CALLS		PUTS		Mer	101-18	101-14	+0-17	101-18	101-14	48	3,045
Price Jul	Aug Sep	Dec Jul 1.88 0.18	Aug Sep 1.01 1.35	Dec 2.19								
9150 0.58 9200 0.30	1.41 1,75 1.14 1.48	1.63 0.40	1.24 1.58	2.46	Japan							
9260 0.14	0.90 1.23	1.41 0.74	1,50 1.83 de 225561 Puts 22	2.74 9482		VAL LONG	Yern jaf	YANESE GO	NT. BONZ		25	
Est, vol. total, Calls 436						Y100m 100	ths of 1009					
IN NOTIONAL MED	UM TERM GERM 4250,000 100ths of	AN GOVT, BOND 1100%			-	· Open	Close	Change	High 100.00	Low	Est. voi	Open inc.
Open (SCHOOL)	Sett price Cher		Low Est vol	Open int.	Sep 'LIFFE cont	108.72; Facts tracked o	on APT. AS C	Open interest	109.00 figs. See for	108.62 provious de	2539 7.	0
Sep	97.36 +0.1		0	76					_	_		
-												
UK GILTS P	RICES											
	Yest	1994			Meld	1 ہے۔	994			_Yeld	_	1994
Motos	int Red Price:	E+or- High Low	· ——`	Holes lot	Red Prige 2 +				Notes (1) <u>(2)</u> Priz	#£ +or-	High Low
Shorts" (Lives up in Pive Trees, 10cc Lt., 19941)	Years) 10-00 ~ 100	162A 100	10pc 2003 - Trees 11 2pc 2001	9.48 4 10.34	8.89 105 <u>72</u> 9.06 111 <u>2</u>	— 12% 井 12%	105½ lada 1103, 200	**************************************	_64) _67,9) 26	7 3.89 1	1983 +&	2009, 19753
Each 1212pc 1994	1246 4.94 1002	10412 1002	Fooding 3½pc '98-4	 4.8 1	7.83 72 <u>93</u> 2 8.79 1033a	+1 84 -1 125 -1 1054	71 £ 45 103 25	76 pc 784# pc 70	135.6) 28 178.30 3.4	5 3.64 1 3 3.85 1	074 4 <u>1</u> 843 43	1132, 1052 1783, 1683
Tress Spc 1994‡‡ 12pc 1995	11.55 5.22 10374	i 107£ 1097	Treas 6 kpc 2064#	7.82	8.58 85&	-3 1054	8591 21 ₂	PC '03	(PLS) 15	4 186 I	84 <u>5</u> + 5 1804 + 6 1074 + 6	1765 1635 1735 1682 1185 1877
Erck 3pc Gas 90-85	3.00 4.96 96/ 9.81 5.89104 ¹ 23	d 1073 <u>1</u> 1045	Teens 121-nc 2003-	£16 5 10.4\$	8.76 1035 9.18 1193	-14312 14314	145 200	708	691.5) 3.6	1 3.87 186	# 4	18412 165.3
Trees 124pc 1985##	. 11,75 525 1053 12,62 6.61 110)\$2	1135 1094	74pc 2006	849	8.68 9111 8.71 93%	-& 1123£	91 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	pt 109 pt 11	.(78.16) 9.7 .(74.16) 3.7	10 3.93 1 13 3.93 1		
14pc 1996 154pc 1996	13.34 8.91 114	+ 121日 114日	Trees 11-4-pc 2003-	7 10.30	9.17 114.Lad	- <u>-</u> - 136 <u>4</u>	1134 212	pc 13 pc 18	812 37 815 31	7 3.96 f 0 3.97 1	273 HE	175% 1544 1464 126% 1573 1344 1528 1284
Each 13 aps 1996## Commission 10pc 1996	11.94 6.94 1105 9,47 7.30 1055	1124 105	191-0: 194-R	8.72 10.69	8.64 97 <u>15</u> 4 9.14 125 <u>2</u>	-\$ 118\$ 151\$	210	pe '30	(83.0) 3.2 (87.7) 3.1	3 3.98 1	25% +4	157 à 134 à 1528 128 à 1284 106 à
Con 7pc 1997##	7.11 7.21 884 11.72 7.58113.53	. + 1, 100	Trees Spc 2008 ##.	125	8.62 101 3	- 3 1344	101 40	pc '30##	135.1) 3.8	5 4,00106	يئبه لعواد	12512 10579
Each 10 ¹ 2 pc 1987	9,84 7.E3 106	+4 1144 1064					Pros and	pective real (2) 5%. (b)	Agures Ir	n parenibei	ies show f	on of (1) 10% 3Pl bese for
Treas 84.9¢ 1997## Each 150¢ 1997	9.57 7.67 1023 12.53 6.61 1199	+ <u>& 13167</u> 11996					Inde	dng þe 8 m	onins prior i		d have bee	n adjusted to rection factor
94pc 1998 Trans 74pc 1998\$\$	9.34 8.15 10412s 7.49 8.09 962	ት ∔ፊ 108ፊ 96 ት	Over Fillens Years					5, RPI for Oc				
Trees & 400 1995-9847	7.11 B12 9 11.66 B36 117	102 949	Trees 8pc 2008,	8.53 7.25	8.61 93 <u>33</u> 8.41 792 ₈	+5 115% -1 983	78% OH	her Fbo	ed Inte	rest		
14pc '98-1 Treat 151pp '9811	12.41 8.29 1247	+1 1404 124	Case 900 Ln 2011 ‡	8.79	8.58 102 ½ xi	-4 <u>126</u> ₽	1011					
Each 12pc 1998 Trans 91gst, 1990##	10.65 8.38 112) 9.18 8.38 103 ² 2 H			8.78 241_ 7.51	8.55 102,2 8.27 73,2	-1 127% -1 93%	101 <u>2.</u> 72 <u>5.</u>		Notes in	_Yield 2 Red Po	dce 2 + 0r −	1994 Hadi. 1.5w
			Tresa Spc 2013##	8.52	8.48 93%	117登	92%	- Day 441				
•			74pc 2012-1911 Totals 84pc 201711	8.85	8.45 926±1 8.48 1014	+4 1144 -3 1884	99 <u>12</u> Asian	a Dev 114 20 Dev 1040 3	25 2.3	8 9.09 7	جهب تدور	1427, 11583 1384, 10843
Fire to Fifthern Years	10.79 854 1138	+3. 1284 1135	Eech 12pc '13-'17		6.70 1297	-1 1894 -1 1892	1271 ₈ 151001	1 11 ¹ 296 2012 4 Cap 8 ¹ 296 '1			154 +4	142 115 1165 952
Beh 12 let 1999 Tres 10 20 1999	ean 8.59 107d	. +∆ 121& 1001					Spc	Cap 1996	90 11.9	0 -	100	100. 100
Tress Spc 1999 #	8.67 8.30 893 8.65 8.63 1064	+3 1215 1057					Hydro	¢ '97-2 Quebec 15pc	2011., 10.6	9 10.00	40% 44% 25% 1-7 35% 1-7	115% 106% 1693 1393 148% 125%
Treate Play Rode 199	1002	, 100 ₂ 5 100	l					13 2pc 2008. Iosi 3 2pt isse		8 – 1 9 – .	224 -7	444 334
9pc 2000‡#	8.93 6.62 10T@	+2 13841 1162	C	8.90	- 4株	+½ 58%		pc 20 Att			લોંપે —પં	401 ₂ 287 ₄

* for 1994, Government St 26 and Flood Interest 192	scurities high 18, SE activi	h since By indic	en tepes combiles	ópn: 12 Med 18€	7.40 (D/ 74	1/35), low 46.18 (\$/1/75). Fixed Interest.	Ngh ekx	e compl	lations	139.87 (21/1/94) , low 60.63 (3/1/75) . Beels 100	k Go vern	ment Se	curida	s 15/10/
FT/ISMA INTE	RNAT	ONA	L BO	OND	SEF	IVICE	- : :					تسنع		-	
						ie secondary market. Latest prices at	_								
	leaued					lawad		Offer		Yield		Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS				$\overline{}$		United Kingdom 7 ¹ / ₂ 97	1017	10213	44	8.47	Abbey Neil Treasury 8 03 £ 1000	91	913	+3	9.55
Abbey Nati Treasury 612 08 Alberta Province 71/4 98	1000	mile.	92½ 101¾	4	7.82 7.20	Volksweigen Intl Fin 7 03 1000 Woold Bank 0 15 2000	35 ⁵ a	96 20 ⁵ 8	ᆤ	7,59 7,71	Affance Leics 11 ² s 97 £ 100 Brilish Land 8 ² s 23 £ 150	106 86 ¹ 2	108 ³ a 57	r).	8.13 10.61
Austria 69 00 Bank of Tokyo 89 96 Belgium 51 08 BrCE 79 97 British Gas 0 21 Canada 9 98		10512	1054		7.25	World Bank 0 15 2000 World Bank 5% 03 3600	903g	90 ¹ 2	44	7.52	Denmark 64, 98 E 800	944	94%	45	8.47
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BFCE 73, 97	150	1023	103 11	4	6,74 8,54	SMISS FRANC STRAIGHTS	100L	101	442	5.95	Henson 10 ³ g 97 £ 500 HSBC Holdings 11.68 (£ £ 153	1044	105 ¹ 8 108	بار وارد	8.64 10.10
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Chang Kong Fin 5½ 98 China 6½ 04 Council Europe 8 98 Credit Fonder 9½ 98 Centrals 5½ 98	500	80°2	91½ 874	÷j*	8.17 8.72	Council Estope 4 ² 4 98	95 ³ 4	99 ¹ 2 95 ² s	4	5.05 5.30	Japan Dev Bk 7 00 £ 200	91 ¹ 4 97 3	91 ¹ 2	+3 <u>.</u>	8.85 9.79
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				_	7.84	Hyundal Motor Fin 842 97	105	106	•	6.71	Tokyo Bec Power 11 01 £ 150	1074	10814	12	9.43
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ind Bik Japan Fin 74 97 inter Arner Dev 74 96 lady 65 23 Japan Dev Bik 85 01	500	104	105	-	7.45	Nappon Tel Tel 5% 98 50000	1054	105	14	3.19	Delico February 25 25 25 25 25 25 25 2	97.92 99.41			5.0000 3.7500
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LTCB Rn 8 97	200	1021	102	ᅽ	7,04	Spain 5% 02 125000	1083	108	+4	4.74	Feeto del Stat 0.10 97 420 Finland 0 97 1000	100.01 99.85			4,4750 3,4141
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Napport Cred Bix 10 ³ g 95 Norwey 7 ³ s, 97	1000	10112	1014	•	5.63				•	_	Iroland 0 98 300	99.61 100.34	99 100		4.8800 4.1250
Ontario 7½ 03	سبہ	21.7	97 ³ 2	J _B	7.97 7.46	OTHER STRAIGHTS Adod 7 ¹ 2 85 LFt 600	100	101		7,48	LVGB Baden-Valuet Fin -1 ₂ 98 1000	99.39			4.5625
Petro-Canada 714 96	200	1014	1017	3	8.52 7.86	Genfinence Lux 9 ¹ 2 99 LFr 1000	107	108 101		7.33 7.97	Libyds Bank Perp S 0.10 600 Meterste & 05 650	81.86 99.06	53. 99.		4.1000 5.2500
Portugal 5% 03	150	87 107%	87%, 1085 ₁ ,	-34	7,51	Wantd Benk 8 98 LFr 1090 Benk Voor Ned Gent 75 02 Ft _ 1000	1001-	101		7.53	New Zestimi -1 99	99.52 99.28			3.8125 4.8125
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Speedy input from MTM purchase and good start to current year

BTP jumps 48% to £30.3m

By David Wighton

BTP, the speciality chemicals group which paid £106.7m for most of MTM's assets a year ago, beat City expectations with a 48 per cent jump in annual pre-tax profits, from £20.5m to £30.8m.

Earnings per share of 15.8p (12.7p) topped the previous record of 15.4p set in 1991. Mr Frank Buckley, chairnan, described the figures for the 12 months to March 31 as "not a had performance" considering that most of the group's markets were in recession for a large part of the year. "The results from the MTM acquisition have come through more quickly than the market anticipated."

The shares rose 8%p to 309%p, helped by Mr Buckley's ents on trading: "There has been an encouraging start to the current year and there are positive signs that the ionary conditions experienced in a number of our markets are now behind us."

The MTM assets contributed profits of £7.76m in nine months on sales of £56.8m out of total group turnover up



Travic Harrian Frank Buckley (left) with Steve Hannam, managing director

"very much better than expected". BTP introduced some of its biocides, leather and textiles chemicals into the MTM plants in the US, replacing UK imports which attract duty of

US operations had performed by BTP's new industrial biocide in the last quarter. Annual growth in the global industrial biocide market is about 15 per cent, largely due to environmental pressures. Profits from biocides and more than 16 per cent. fine chemicals jumped to £12m US sales were also boosted (£4.84m), including £5.35m from fine chemicals jumped to £12m

This offer notice is issued in compliance with the requirements of and has been approved by The International Stock Exchange of the United Kingdom and the Republic of Ireland

Africa Trust plc and should therefore be read in conjunction with the Listing Particulars dated 22 June 1994 (the "Listing Particulars") which alone contain full details of Old Motual South Africa Trust plc and of the Ordinary Shares and Warrants available under the Offer for Subscription (the "Offer"). Application has been made to the London Stock Exchange

for the undermentioned Ordinary Shares and Warrants to be admitted to the Official List. It is expected that listing will become effective and that separate dealings in the Ordinary

SOUTH AFRICA TRUST ple

(Incorporated in England and Wales under the Companies Act 1985 with registered number 2939312)

Placing and Offer for Subscription sponsored by Smith New Court Corporate Finance

Limited of 70,000,000 Ordinary Shares of 10p each (with Warrants attached on a one

for five basis) at an issue price of 100p per share payable in full on application

than doubled to £81.1m. Performance chemicals,

which includes tanning prodcontributed £8.4m (25.79m). The mainly UK-based industrial division turned in £6.63m (£4.21m) but adhesives and textile coatings slipped to £5.66m (£6.49m).

A 6.55p final dividend gives a 10p (9.3p) total, covered 1.6 times. Mr Buckley said the long-term aim was for dividends to be twice covered by

• COMMENT

Shareholders who supported last year's rights issue at 185p have been well rewarded for their faith. The MTM deal has paid off as predicted, giving BTP under-used capacity almost tailor-made for its needs. The full benefits are yet to come and combined with strong growth in areas such as industrial biocides and recov ery in other markets BTP looks well-placed for the next couple of years. Assuming profits of about £39m this year, the shares are trading on 16 times forward earnings. Not expensive for the sector and there is a yield of 4 per cent.

Shanks & McEwan cuts dividend

By Peggy Hollinger

Shanks & McEwan, the waste management company, yesterday cut its dividend by 43 per cent and warned that uncertainty over government plans for bans on imported hazardous waste could lead to further disappointment in its Rechem

Mr Gordon Waddell, chairman, was announcing the group's plunge into the red with nre-tax losses of £6m (£10.2m profits) for the year to March 26. The swing into loss was the result of a £20m exceptional charge, which was flagged in a letter to shareholders in March, for losses on construction contracts and rationalisation. Sales were down by 9 per cent to £120m. largely due to declines in the construction division and Rechem, the hazardous waste

Mr Waddell said Rechem's results had been disappointing, with lower waste ton-

Shares and Warrants will commence on Friday 8 July 1994.

nages and technical problems in the plants. This division would continue to be plagued by uncertainty until it became clear whether the government would ban imports of hazardous waste.

The UK incineration industry faces a difficult period over the next few years. Currently the government can ban hazardous waste imports, on which the group incressingly relies for revenue, but regulations to stop the dumping of treated haz-ardous waste into landfill sites are not expected for some time.

The dumping ban is widely expected to prompt a surge in demand for incinera-

Mr Waddell welcomed a recent government comment that incineration of imported waste could continue in limited quantities for up to three years. This was not enough, however. "Until we get some clarity, we are in serious trouble," he said. To reflect this uncertainty, the final div-

ant to Section 134(1)(a) of the Pil

idend is cut from 3.44p to 1p, for a total of 3.24p (5.68p). Losses per share were 5p against earnings of 4.1p last time.

The other businesses were doing well, Mr Waddell said. The solid waste division had pushed through price increases of up to 15 per cent in the south of England without any reduction in volume.

• COMMENT

Mr Waddell's blunt warning on the regulatory risks surrounding the high margin hazardous waste business overshadows a further problem - volumes are falling as well. While this may be offset by rationalisation and an improved performance from landfill and construction, the shares will almost certainly reflect the above difficulties. Forecasts are equally uncertain, ranging from £13.9m to £19m for this year. A prospective multiple of 12.5 on the most optimistic forecast might fust attract high risk/high reward investors.

Eurotunnel take-up may be 'adequate'

By Simon Davies

The 3pm deadline for Eurotunnel's £858m rights issue passed yesterday with the shares still weak, but underwriters expressing confidence in the likely level of take-up. Figures for the UK-listed.

portion of the issue, representing 25 per cent of Eurotunnel shares, will be released today. Analysts suggest that between 10 and 20 per cent of the UK shares

may not be taken up. Shareholders were offered new units on a 3-for-5 basis at 265p, which compared with the price of 275p at 3pm. The shares rose at the end of trading and closed at 279p. Having maintained a 10p premium, underwriters expect

the response to be "adequate". The more significant figure, acceptances from the 75 per cent of bearer shares traded (and primarily owned) in France, will not emerge until the end of next week, but the figures should be better.

One underwriter expressed confidence in the heavy trading in the nil paid bearer shares, since buyers would be almost certain to take up rights shares. Under the French system, investors who take no action lose their

rights. For Eurotumnel itself, the take-up makes little difference. It has raised its money and is adamant this is the last rights issue. Its only concern is that its warrants are converted. Next year the company is

anticipating revenues of £198m from warrant conversions. Following the decline in its share price, the shares are at least 10 per cent below the likely adjusted conversion price for the 1993 warrants (the largest tranche), and conversion cannot be automatically assumed.

This underlines the still precarious nature of Rorotunnel's finances, until it can demonstrate real traffic flows at least in line with projections.

First Leisure shares fall despite advance to £14m

By Michael Skapinker, Leisure Industries Correspondent

First Leisure yesterday announced interim profits up 16 per cent to £14.1m pre-tax, but warned that there was still no sign of a substantial upturn in consumer spending.
Mr John Conlan, chief execu-

tive of the discotheques, bowling and tourist attractions group, said consumers did appear to be going out more and spending more.

He added that market conditions were more encouraging than they had been for some time, but he said: "What we haven't seen is a boom around the corner. We shouldn't overanticipate the speed and scale

of the recovery."
The City reacted badly to the announcement, marking First Leisure's shares down 19p to 289p. Analysts said this was in the process of introducing a more of a comment on the prospects for leisure spending aim of enticing bowlers back.

generally than on First Leisure, which is seen as a well-

managed group. Turnover in the six months to May 1 rose 21 per cent to £62.9m. Earnings per share were up 7 per cent from 5.74p to 6.15p. The interim dividend is raised to 2.12p (2p).

Profits from tourist resorts fell 19 per cent to £1.3m, resulting from an increased decreciation charge and accelerated pre-season marketing costs. The group expects to benefit, however, from the publicity surrounding the centenary of the Blackpool Towar.

Profits from the sports division, which includes bowling, a marina and a health club, dipped 13 per cent to £5.6m. The fall resulted from bowling. where price increases in 1992 ran into consumer resistance. Mr Conlan said the group was

The discotheques division saw profits increase by 13 per cent to £8.5m. Spending per head was up 2 per cent.

Reservations about First Leisure reflect doubts about the nature of post-recession spending throughout the economy. Few know whether consumers will resume their free epending habits of the late 1980s, even when the good times have fully returned. Early evidence from First Leisure is that leisure consumers are not about to abandon their caution. A good summer in Blackpool might restore enthusiasm for the group. That partly depends on the vagaries of the British summer. Expected full-year pre-tax profits are £38.5m, with earnings of 17p. The prospective multiple of 17 fairly reflects the balance between competent manag ant and an uncertain economic future.

Reduced deficit at ERF

By John Griffiths

ERF (Holdings), the truck maker, returned to profitability in the second half of last year for the first time since the UK truck market collapsed into

recession in 1990. However, it was not sufficient to offset the first-half loss and for the full year to April 2 there were pre-tax losses of \$26,000, compared with \$4.12m.

Mr Peter Foden, chairman, said ERF had begun recruiting more workers to allow a 40 per cent rise in output rates over the next three months.

The increase is mainly to cater for rising demand in the UK, where the truck market is firmly into recovery after its steepest decline since the second world war. Output is to rise from 10 to 11 trucks a day to 15, with the workforce peaking at nearly 60 per cent

increasing by nearly 100 to 840. Prospects for continental markets were likely to remain bleak until next year, said Mr Foden.

However, ERF expects to receive a boost from the changed political situation in South Africa, where it has an assembly plant. ERF is predicting a rise in demand there of 50 per cent over the next 12 to 18 months

The Cheshire-based company, the UK's last remaining publicly quoted truck maker, made a profit of £458,000, after interest payments, in the second half.

For the full year, losses per share were cut to 4.98p (46.25p) while the proposed final divi-

dend is held at 2p. Gearing was reduced to 44.7 per cent at the year end after

half-way. The latter figure was inflated, however, by the £2.5m cost of launching new trucks designed for continental Europe and the setting up of a network to sell them. These costs were treated as an exceptional item last time. But the venture could hardly have been worse timed, with continental truck markets declining sharply last year. ERF sold only about 50 trucks on the Continent but in the next few years hopes to capture 1 to 2 per cent of the region's heavy truck market, representing up to 1,000 trucks a year.

Turnover rose by 34 per cent to £148.5m (£111.7m) with unit sales 20 per cent up at 2,339 (1,942). There was exceptionally high pressure on profit margins as continental truck makers discounted heavily,

Allen expands as profits double

By Caroline Southey

Allen, the construction and property development group, yesterday announced the acquisition of DJ Ryan & Sons, a cable laying, civil engineering and building contracting business, for about £6.9m, to be financed by the issue of 4.34m shares.

The Wigan-based group also reported a dou-bling of pre-tax profits, from £1.51m to £3.05m, on turnover up 23 per cent, from £51m to £62.7m,

in the year to April 3. The group ended a two-year dividend freeze, recommending an increased final of 3.6p for a total of 5.25p (5p). Earnings per share rose from

5.05p to 8.67p.

Gearing at the year-end was 16.7 per cent, against 38.8 per cent last time. Mr Donald Greenhalgh, chairman, said that house completions, which had risen from 208 to

305 over the period, were expected to rise by

some 25 to 30 per cent in the current year.

The acquisition issue will represent 14 per shares are to be placed at 150p apiece. Of the balance of 1.73m shares, Ryan has agreed to retain 1.2m for one year. Ryan, based in Preston, Lancashire, reported

pre-tax profits of £1.02m on sales of £34.8m in the year to March 31. At that date its net asset value was £3.6m.

Mr Greenhalgh said the acquisition would allow Allen to expand into a related market in

Ryan has fixed-term contracts with British Gas, with which it has a 26-year relationship, as well as North West Water and Severn Trent to lay, replace and repair gas and water pipes. The company recently won its first contract to

lay cables in the UK for Nynex, the east coast US telecommunications group. After completion of the acquisition by Allen,

Ryan's building contracting and housebuilding divisions will be sold.

Redland floats | Standard Life diversifies Belgian arm

By David Blackwell

The Benefux brick interests of Redland, one of Britain's biggest building materials compa-nies, have been floated on the Belgian bourse with a valuation of BFrs.Zbn (£161m).

The flotation raised about RFr1.5bn. which will be used to pay off debt incorred in expanding the business.

Redland said that its beneficial interest in the company, which has been renamed Terca

Brick Industries, had been reduced to 85 per cent. The Benelux interests were known as Redland Koramic Bricks, jointly owned by Redland and Koramic, a privately owned Belgian industrial

Last April Redland Koramic merged with the brick interests of Van Biervliet, also a privately owned Belgian group, reducing Redland's interest to 42 per cent.

Terca will have annual turnover of £185m and produce more than 1bn facing bricks a year from 25 sites in the Netherlands, Belgium, France and Germany.

into health insurance Bell, managing director, said

Standard Life, the UK's largest mutual life insurer, is to diversify into health insurance with the purchase of Prime Health from Municipal Mutual, the local authority-owned insurance company, for an undis-closed amount, writes Alison

Smith

Prime Health policies cover some 250,000 people. Last year it had gross premium income of £54m making it the fifth largest health insurer in the

The move is Standard Life's first venture outside life and

in the rapidly growing health insurance market. Standard Life will lose an important element of its UK

distribution next year, when Ralifax Building Society ends its agreement to sell Standard Life policies and sets up its own life subsidiary. Prime Health is the latest in

the acquisition would allow the

group to move quickly shead

a string of subsidiaries to have been sold off by MMI, which transferred most of its continuing local authority business to pensions policies. Mr Scott Zurich Insurance.

EFT £2.56m placing

EFT plans to raise about \$2.56m net via a placing and open offer of 5.48m new ordinary shares at 49p each. The Glasgow-based asset

finance group also said that its principal bankers had agreed to increase available borrowing facilities to £56.8m - up £13.5m from the facilities available at December 31 1993. The new shares are being of 1.75p (L5p).

conditionally placed with institutions, subject to a clawback to qualifying shareholders on a 1-for-6 basis.

EFT said that revenues for the first five months of the current financial year were more than 15 per cent ahead. The directors forecast the interim dividend would be 0.525p and the final 1.225p, making a total

Emap bids for Trans World

By David Wighton

Emap yesterday launched its expected 181p a share hostile bid for Trans World Communications, the local radio group where it owns or has agreement to buy 51.7 per cent of the shares.

The bid, which values Trans World at £70.8m, follows the agreement by Mr Owen Oyston to sell his 22 per cent stake to Emap at the offer price.

Mr Robin Miller, Emap's chief executive, said the final cash offer represented a "gen-erous" price for Trans World. It is pitched at 58 times last year's earnings and 5.3 times turnover, both higher than any previous deal in the sector. However, earlier this week the Trans World board

declined to recommend such an offer, arguing that the price was too low and that the bid could face legal problems. This is because a full take-

over would breach the legal limit on the number and size of commercial radio licences that can be held by one company. However, Emap plans to sell two of its licences to a joint venture with merchant bank Schroders, which the Radio Authority has said would com-

ply with relevant legislation. The authority has reconfirmed its position following an announcement by the Guardian Media Group, which owns 20 per cent of Trans World, that it intends to ask for a judicial review of the decision. Mr Miller said:"We have no idea whether they will get leave to proceed or what the timetable would be, but mean-

while the offer goes ahead."

Emap said the acquisition would chance its earnings per share in the first full financial year of ownership. Trans World shares added 2n to 175p.

investment trust which will aim to provide capital growth from investment in companies the majority of whose assets are located in, or the majority of IMPORTANT: Before completing this form you should read the Listing Particulars relating to Old Mutual South Africa whose profits are derived from, South Africa. 51,000,000 Ordinary Shares (with Warrants attached) have been placed and 19,000,000 Ordinary Shares (with Warrants anached) are being offered to the public under the Offer. The Offer has Copies of the Listing Particulars are available for

collection during normal business hours (9.30am-5.30pm) on any weekday (excluding Saturdays) up to and including 8 July 1994 from any of the following:

Old Mutual South Africa Trust plc is a new

Smith New Court Corporate Finance Limited Smith New Court House 20 Farringdon Road London EC1M 3NH

not been underwritten.

Bank of Scotland New Issues 38 Threadneedle Street Apex House 9 Haddington Place London EC2P 2EH

Edinburgh EH7 4AL in addition, copies of the Listing Particulars can be obtained, by collection only, for two business days from and including 23 June 1994 from the Company Announcements Office, the London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance off Bartholomew Lane, London EC2. Applications for Ordinary Shares (with Warrants attached) should be made by completing the attached application form and returning it by post or delivering it by hand to Bank of Scotland, New Issues, Apex House, 9 Haddington Place, Edinburgh EH7 4AL or by delivering it by hand or by courier only to Bank of Scotland, New Issues. 38 Threadneedle Street, London EC2 so as to be received by 12 noon on Friday 1 July 1994.

If the value of the Ordinary Shares (with Watrants attached) applied for exceeds £10,000, payment should be made by means of a cheque drawn by the person named in Box 3. If this is not practicable and you use a cheque drawn by a third party or a banker's draft, you should write the na address and date of birth of the person named in Box 3 on the back of the chaque or bunker's draft and:—if a bunker's draft is used, the back must cheque or busker's draft and:—if a banker's draft is used, the bank must also endouse on the cheque or cleaft the name and account number of the person whose bank account is being debited;—if a cheque is drawn by a third party, you must casure that one of the following documents is enclosed with the form: a cartified copy of your puspors or driving licence or a recent original bank or building society statement or unlity bill in your name. A copy pusport or driving licence should be certified by a solicher or bank. Original documents will be returned by post at your risk. Trust pic. Boxes I-4 must be completed and your remittance must be planed at Box 5. Applications must be for a minimum of 2,000 Ordinary Shares (with Warrants attached) and thereafter in multiples of 1,000 Ordinary Shares (with Warrants attached). Ordinary Shares (with Warrants attached on a one for five basis) at 100p I/We offer to subscribe for each or such lesser number of Ordinary Shares (with Warrants attached on a one for five basis) for which this application may be accepted and I/we attach a cheque or banker's draft for the amount payable now, namely PLEASE USE BLOCK CAPITALS Minor's forename(s) (in full) Pin your cheque or banker's draft for the amount shown in Box 2 made payable to "Bank of Scotland A/C OMSA" and crossed "A/C payee only". You may sand the completed Application Form by post to Bank of Scotland, New Issues, Apex House, 9 Haddington Place, Edinburgh EH7 4AL; alternatively, it may be delivered by hand only during normal business hours to Bank of Scotland, New Issues, 38 Threadneedic Street, London EC2, so as to be received in either case not later than 12 moon on Friday 1 July 1994. Boxes 6 must be completed in the case of Joint applicants only Mr/Mrs/Miss/Tisk Mr/Mrs/Miss/Title McMrs/Miss/Title 6 Foremene(s) (in fulf) Forestane(s) (in full) Address (in full) Address (In futi) Address (In fall)

OLD MUTUAL SOUTH AFRICA TRUST plc

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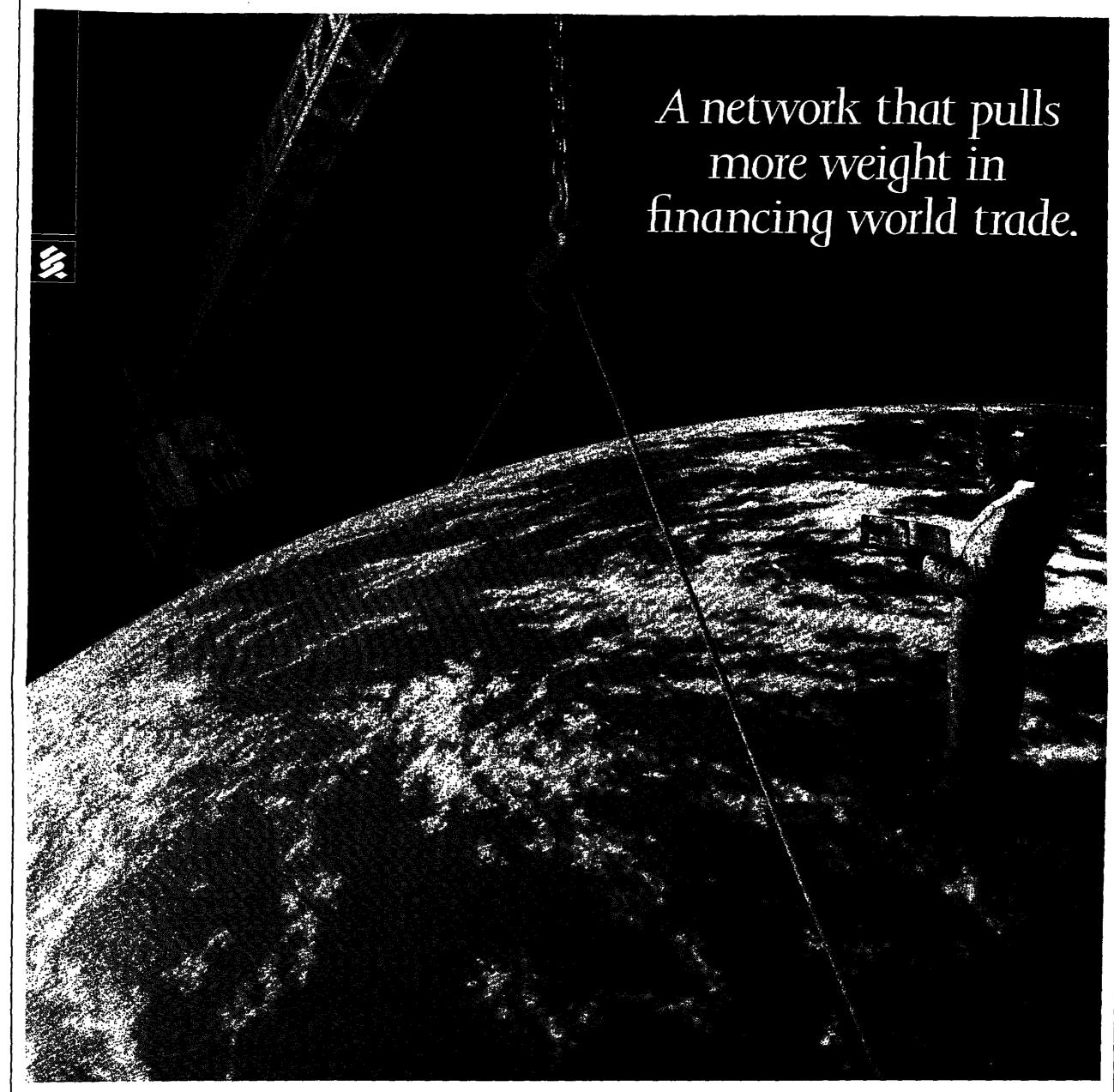
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INTERNATIONAL NETWORKING

Wagon slips less than expected to £15.6m

By Paul Cheeseright, Midlands Correspondent

Pre-tax profits at Wagon Industrial Holdings last year declined less than the materials handling, engineering and automotive products group had predicted as productivity rose and trading conditions improved in the UK and continental Europe.

In the 12 months to March 31, pre-tax profits were £15.6m, against £18.1m. The group last June warned that its results would be similar to those of the previous year before meeting restructuring costs of £3m at Forkhardt, its German power chuck subsid-

Although earnings per share dipped from 29p to 19.58p, the dividend is slightly increased and only just covered; the final is 11.5p, making a total of 17.825p (17.308p).

Wagon would like to have the dividend twice covered by the end of the next financial year. That implies an increase • COMMENT in profits over two years of 33 per cent.

There has been a strong start to this year, reported Mr John Hudson, chief executive. Trading conditions started to improve last year. "The important thing was an acceleration of the improvement towards the end of the year, which is exactly the opposite of the previous year," he said

Turnover was £279.9m, of which £9.07m came from acquisitions, against £247.6m. But operating profits, largely because of Forkhardt, fell from £16.5m to £14.7m.

In the automotive division. where recently Wagon has been concentrating its expansion, operating profits fell while turnover increased. This reflected a tailing-off of profits in France. But, said Mr Hudson, "we see the automotive division being our strongest division this

staff as dispute continues

Wagon rode the UK recession with aplomb. Everything it might have done it did: kept cash in the bank, reorganised management, raised productivity, made acquisitions to build up market position. It was Europe which made it look more ordinary: takeover of Polypal in Belglum only to see the markets tumble, capacity at Forkhardt far too high for reduced demand. Last year it grasped the European nettles. Manufacturing sites for materials handling equipment have been concentrated and Forkhardt is back in profit, albeit small. With its European markets starting to bounce back and demand in the UK rising, recovery should be swift enough to justify the company broker's prediction of £22m pre-tax and earnings per share of 30.8p for the current year. On a price, up 3p yesterday, of 479p, that would put the shares on a modest prospective multi-

Aer Lingus lays off 850

By Tim Coone in Dublin

Team Aer Lingus, the aircraft maintenance division of Aer Lingus, the Irish state airline, yesterday laid off more than 40 per cent of its workforce, amounting to 850 of its 2.000 employees, as trade unions warned that the dispute over pay and staffing cuts could spread

The division has been losing I£1m (£980,000) a month and currently has no heavy maintenance contracts as airlines have transferred business elsewhere over concerns that the simmering dispute would leave their aircraft stranded in Aer Lingus maintenance han-

Earlier this week craft unions rejected a rescue package for the subsidiary recommended by the Labour Relations Court, arguing that their own proposals to return the company to commercial viability had not been considered by the management or the LRC.

The LRC recommended a pay freeze until

July 1996, rather than pay cuts sought by the Backbenchers of the Labour party, which forms part of the coalition government, yester-

Butte Mining, the London-

quoted company, has acquired

an option on certain sapphire

mining rights and interests in

Montana and will explore a

500-acre property there in

exchange for a significant minority interest in a new

company, International Gem

Corporation, being set up to

If full-scale production is

merited, up to \$2m (£1.8m) of

equity funding will be needed

and Butte shareholders will

have the right to subscribe for

shares in International Gent.

exploit the prospect.

day criticised Aer Lingus for its handling of the dispute. The government, however, has backed the management and recommended acceptance of the LRC proposals. Senior politicians are to question Aer Lingus today on the dispute in a special Dail sub-committee hearing convened at the request of the unions.

Mr Dennis Smith, chief negotiator for the craft unions, said that strike action was not planned for the time being, but Siptu, one of the trade unions involved in the dispute, said yesterday that if non-union labour was taken on while staff were laid off "there certainly will

The government and Aer Lingus are meanwhile facing pressure from another direction. Aeroflot, the Russian airline, is to begin nonstop flights from Russia to the US this summer as new long-range aircraft come into service, bypassing the refuelling stop at Shannon in the est of Ireland.

It has offered to continue the Shannon stopover if passengers from other CIS airlines can transfer to Aeroflot there. But the government and Aer Lingus are opposed to this as it is seen as a threat to Aer Lingus' transatlantic busi-

Sapphire option | Hardys & Hansons rises for Butte Mining by 10% to £3.66m

By Graham Deller

Hardys & Hansons, the Nottingham-based independent brewer, yesterday reported a 10 per cent increase in interim profits.

On turnover marginally ahead to £15.6m, trading profits advanced to £3.35m (£2.94m); after reduced net interest receivable of £292,000 (£338,000) the pre-tax line for the half year to April 1 amounted to £3.66m, up from £3.32m last

Mr Richard Hanson chairman and managing director, attributed the "very satisfactory" improvement to the contribution from new or recently

modernised houses. The outcome was also aided, he added, by an early Easter with sales in the run-up to the holiday falling in the first

The interim dividend is raised 13 per cent, from 3p to 3.4p, payable from earnings of 9.827p per share, compared

MANAGEMENT REPORTS

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MEPC to buy Belfast shopping centre

By Vanessa Houlder. Property Correspondent

MEPC, the UK's second largest property company, has agreed to buy the Castlecourt shopping centre in Belfast from John Laing, the construction and housebuilding group, for initial and deferred payments expected to exceed £80.5m.

The deal is in line with MEPC's strategy of increasing the retail component of its portfolio. John Laing is selling the property because it does not wish to be a long term holder of developed

investment properties. John Laing intends to use the proceeds from the disposal to expand existing activities, particularly projects in the Pacific Rim, and in private

infrastructure in the UK. MEPC has agreed to pay an initial sum of not less than 972.5m next month, and a further minimum amount of £1.65m next February. There will be additional payments up to 1998, based on the capitalised value of rents achieved on further lettings and the outcome of rent reviews. The deal is subject

to shareholders' approval.
The 320,000 sq ft shopping centre opened in April 1990. Rental income in 1993 was £5.2m. It has been valued on an open market basis at

The net book value of Castlecourt at the end of last year was £60m. The disposal will generate an extra £7.1m of pre-tax profits for Laing's full year and will realise net cash of £30m, after the deduction of costs and repayment of £40m of bank

Laing has also agreed to sell Churchgate in Peterborough for £2.5m, payable on completion and a minimum further consideration of £2.5m. payable within five years.

Laing said trading conditions remained difficult in its UK construction activities and margins remained under pressure. However, work intake compared favourably with this

Company will realise £52m net profit from sale of entire holding Royal Bank explains 3i decision

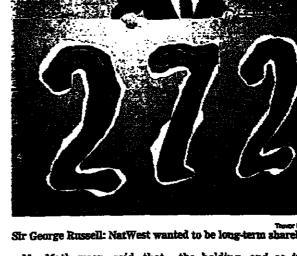
By John Gapper, Banking Editor

Mr George Mathewson, Royal Bank of Scotland's chief executive, yesterday explained the bank's decision to dispose of all its 7.3 per cent stake in 31, the investment trust company which was floated yesterday by the high street banks.

Royal Bank, one of seven banks which owned 3i jointly with the Bank of England before the offer of £711m of its equity yesterday, was the only bank to dispose of its entire stake. In contrast, Bank of Scotland did not sell any of its existing stake. National Westminster Bank

will retain the highest stake of the banks, with its stake falling to 17.94 per cent compared with the previous 22.9 per cent. All the stakes were diluted by a £288m rights issue element of the flotation.

Sir George Russell, 3i chair-man, said that NatWest wanted to be a major and long-term shareholder, which we certainly welcome". The bank said that it viewed 3i as a good company which it wanted to retain as a long-term invest-



Sir George Russell: NatWest wanted to be long-term shareholder

Mr Mathewson said that Royal Bank had sold its stake in a placement because the rights dilution of its stake would have prevented it from

the holding, and so include

rises in 3i's net assets in prof-He said that after deducting

the already accounted rises in continuing to equity account 3i's net assets, Royal Bank

4.3p, for a total of 7p. This com-

pared with 1.23p, adjusted for the capitalisation issue. Earn-

The impressive performance in

ings were 12p (6.25p).

COMMENT

of £52m from its sale. This would be taken as an exceptional item in the second half of its financial year.

Mr Mathewson said that Royal Bank had decided to sell its stake immediately rather than "leak it out in little bits". because although 3i was a good company. "we are not in the business of outguessing the equity market".

He emphasised that the raising of extra capital had no strategic implications for the bank, which indicated its interest in buying a building society. This has no broader tactical implications whatsoever." he

The banks have agreed not to sell any further part of their remaining stakes within a year without the agreement of Bar ing Brothers, the merchant bank sponsoring the issue. Any bank selling more equity will consult the others first.

Mr Hugh Young, general manager of Bank of Scotland, said the bank's stake had fallen to 2.47 per cent from 3.02 per cent because of dilution. It had never equity accounted its stake, taking only 3i dividends

New stores and organic growth boost Carpetright to £14m

Carpetright, Sir Philip Harris's carpet retail chain, yesterday announced a 79 per cent jump in profits for its first full year as a public company.

The pre-tax return rose from £7.8m to £14m for the year to April 30 on sales ahead 40 per cent to £110.4m (£78.6m). Sir Philip, chairman and chief executive, said the profits

performance was satisfactory against a background of stable prices. The improvement was due

both to the addition of new stores and organic growth, with like-for-like sales ahead 16 per cent in the year. Sir Philip implied that the rate of sales growth had slowed in the first lew weeks of the current year. "We would be very happy if we

The housing market remained flat and any substantial improvement in prices was not expected.

Sir Philip was confident, however, that Carpetright would generate substantial growth through net margin improvements and its increased share of the UK carpet market.

Since flotation in June operating margins had risen from 9.5 per cent to 12.2 per cent and market share had risen from 6 per cent to 9 per cent. Sir Philip said his ambition was for a 20 per cent share with 250 outlets.

Carpetright opened 31 new stores in the year, taking the total to 149. A further 26 stores are scheduled to open this year. The group ended the year with cash of £13.7m (£8m).

the first year may be hard to sustain in the longer-term, given the giaring absence of any substantial recovery in the

housing market. Yet Carpetright appears to be throwing off a significant amount of cash which should fund the aggressive expansion programme and give comfort on the thin dividend cover. Foreasts are for profits of £19m this year, for a prospective p/e of 15. This is not aggressively priced, but the share performance may be constrained by concerns over whether the company's strategy can be sus-

goodwill. Turnover was \$2.6m

Earnings per share from con-

tinuing operations came out at

0.45p (0.31p) and there is a reduced interim dividend of

Second Consolidated

Second Consolidated Trust had

a net asset value per share of 111.2p at April 30, against

109.9p a year earlier and 109.2p

asset value ahead

King & Shaxson declines 17% to £2.6m

An initial £2.46m from Greig Middleton Holdings, the recently-acquired stockbroking firm, contributed the bulk of pre-tax profits of £2.8m at King & Shaxson Holdings for the year ended April 30.

The result, however, was 17 per cent lower than the previous year's restated £3.15m. After-tax profits of the financial services group slipped 10 per cent to £1.7m, and earnings per share came to 9.5p (11p). A recommended final dividend of 5p makes an unchanged total of 9p.

Mr David Pearce, chairman, said the discount house had an unsatisfactory year with oper ating losses of £113,000 against an "exceptional" profit of £2.59m. Profits from money broking dropped from £971,000 to £781.000 while there was a £152,000 loss from futures

NEWS DIGEST months to end-April dipped to £2.78m (£2.84m), for earnings of

Amber achieves **35% rise**

Helped by a profit of £717,000 on the sale of operations, Amber Industrial Holdings, the specialty chemicals company in which Cayzer Trust holds a 75 per cent stake, achieved a 35 per cent pre-tax advance from £3.07m to £4.14m in the year to

end-March. Turnover grew from 221m to £22.1m and earnings per share emerged at 67p (43.7p). An improved final dividend of 14p is proposed, raising the total to

Directors said that cash balances had improved from £3.2m to £5.1m, reflecting in part the disposal of the Cause

way Steel Products business. Since the year-end Amber has acquired two small busibury Aerosols - and further purchases are under consider-

Capita to pay £10m for software supplier

Capita Group, a supplier of professional support services and owner of the UK's second largest bailiff services company, is to pay up to £10m for Sims Holdings, which speci-alises in software for educational institutions.

Up to £6m is payable on completion and a further £4m is payable under an earn-out. There will be a placing of 2.6m new ordinary 2p shares at 173p apiece to raise \$4.2m.

BOC makes R88m South Africa deal

ROC Group's African Oxygen subsidiary is to acquire the cylinder portion of Engen's liquefied petroleum gas business in South Africa, Botswana, Lesotho, Swaziland and

The R88m (£15.8m) consideration is to be satisfied in cash.

Strong asset growth at Dartmoor Inv

Dartmoor Investment Trust 118.45p as at April 30, a rise of more than 49 per cent on the comparable figure of 79.23p. The trust, which invests mainly in split capital funds and is managed by Exeter Asset Management, easily out-performed its benchmark, the FT-SE-A All-Share Index. which rose just 13.8 per cent during the same period.

11.57p (12.09p) per share. Nevertheless, the total distribution for the year is maintained at 11.6p via a same-again final dividend of 3.9p.

Lucas in joint venture in China

Lucas Aerospace, part of Lucas Industries, has signed a joint venture agreement with Taikoo Aircraft Engineering Company of Xiamen, China. The venture is to establish a

repair and overhaul facility for engine and flight control systems, electrical power generation and other aerospace equipment. It will be 65 per cent owned by Lucas and 35 per cent by TAECO and total investment will be more than \$10m (£6.5m).

Exceptionals push LPA to £88,000 loss

Exceptional losses on the dispossi of its Acrokool drinking water fountain subsidiary pushed LPA Industries, the electrical accessory group, to a pre-tax loss of £88,000 for the half year to end-March against

a profit of £18,000.

The £142,000 exceptional included a £39,000 loss on dis-Attributable profit for the 12 posal and a £103,000 write off of

at the October 31 year-end. Both comparatives have been adjusted for capital repayment. Net attributable revenue rose sharply to £1.12m (£233,000

0.8p (1.65p).

for five months) equivalent to earnings of 3.28p (0.68p) per The trust was incorporated in October 1992 and a final dividend of 2.1p was paid last year. A maiden interim of 1.5p

Finsbury Avenue debenture stock

Finsbury Avenue Estates said that FCS Currency Management had bought £17.4m of its 11 per cent first mortgage debenture stock 2014. The two companies are sub-

sidiaries of British Land. The stock is not being cancelled and, accordingly, £40m remains outstanding, of which £17.4m is held by FCS.

Old Mutual South Africa raises £51m

Old Mutual, South Africa's largest life assurer and mutual fund manager, announced that 51m ordinary shares in Old Mutual South Africa Trust had been successfully placed with institutions, stockbrokers and intermediaries by Smith New Court at 100p.

Old Mutual South Africa Trust is the UK's first South African investment trust. It aims to provide capital growth

from investment in medium to smaller-sized companies. Up to 19m ordinary shares at 100p each will be available in the public offer which opens today. Warrants will be issued on a 1-for-5 basis. The offer closes on July 1 and dealings are expected to start on July 8.

Leigh Interests makes £4m purchase

Leigh Interests, the environmental services company, is buying Bride (Church Lawford) for £4m, satisfied by the issue of 2.03m shares. The shares have been conditionally placed at 197p.

Capital Industries makes £2.9m buy

Capital Industries, the finan-cial services and packaging materials group, has acquired a 4.2 acre freehold industrial site at Maidstone, Kent. for £2.9m cash. It will enable its finishing and label operations to be integrated on one site. The consideration will be funded partly by a new term loan facility and partly from Capital's banking facilities.

Loss on disposal hits West Trust

West Trust, the specialist food manufacturing and distribution group, ran up a pre-tax loss of £1.42m in the year ended March 31, after making a £2.12m charge for the disposal of Ken Moore, its former Lycra making subsidiary. The loss compared with a £129,000 profit previously.

Losses per share were 5.3p (0.2p earnings), but this came out at earnings of 2.34p before the Ken Moore loss. The final dividend is 2.3p for an unchanged total of 2.5p. Turnover increased

£8.84m to £13.21m.

DIVIDENDS AN	NOUN	CED			
	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last yeer
Allenfin	3.6	July 28	3.35	5.25	5
Amber Industrialfin	14	Aug 6	13	20	18,5
BIDfin	6.55	Aug 19	6.05	10	9.3
Carpetrightfin	4.8	Sept 15	•	7	
Dartmoor Inv Tstin	3.9	July 29	3.8	11.6	11.6
ERFfin	2	Aug 17	2	2	2
First Leisureint	2.12	Oct 31	2	-	6.53
Hardys & Hansonsint	3.4	Aug 8	3		8.5
King & Shaceonfin	5	July 29	5	9	8
Second Consolint	1.5	Aug 4	-	•	2.11
Shanks & McEuranfin	1	Aug 15	3.44	3.24	5.68
Smith St Aubynfin	nij	-	3,7037	6.25	6.2963
Wagon Indifin	11.5†	Oct 3	11,175	17.825	17,308
West Trustfin	23	Nov 1	2.5	2,5	2.5

FT-Actuaries World Index terns, publication in the FT of the World Ex-South Africa

are added to FT-AWL

At its last quarterly meeting, the FT-Actuaries World Index Policy Committee decided that Thailand and Brazil should be added to the World Indices with effect from October 1 1994, subject to satisfactory resolution of several outstanding

Users of the World Indices are invited to contact the compilers (below) detailing any factors they would wish to be considered before the calculation of these new country indices. Other stock markets that may comply fully with the Construction and Maintenance

Rules of the World Index will be added as fast as practicable. The Committee does not intend to change its policy regarding the inclusion of emerging markets in the daily calculation of the World Index for the time being, since it does not wish to introduce a second, less demanding set of rules for countries which cannot meet current World Index

ing of the guidelines falling within Section II of the Construction and Maintenance Rules has been proposed by the Committee with effect from October 1 1994, subject to confirmation at the next meeting:

When a government is a holder of shares but either the shares are not listed or the government is constrained through requiring legislation before being able to sell them then a weighting factor will be

In response to recent Changes to the Construction changes in investment pat- and Maintenance Rules are

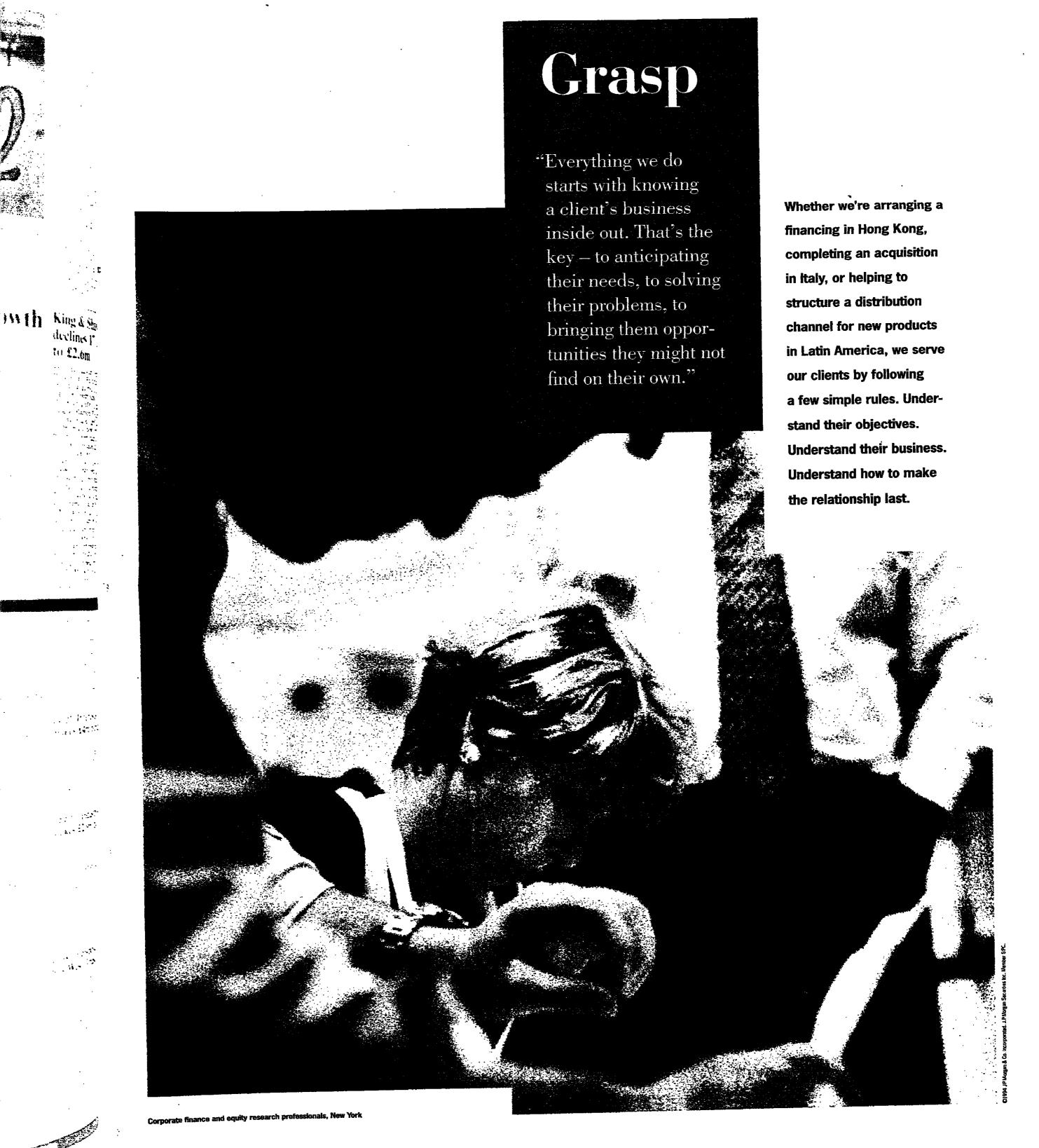
announced after the quarterly meeting at which they are agreed, but will not be put into index will cease at the same time that Brazil and Thailand effect until after they have been confirmed at the follow-In addition, the North Amering quarterly meeting, in order ica index will be renamed

to allow for comment. Americas and will consist of There are no quarterly the US. Canada, Mexico and changes to current FT-AWI Brazil. The Mexico index will constituents. A list of constituthen be based on the most ent changes to the FT-AWI up-to-date prices, rather than Large Cap and FT-AWI Medium-Small Cap Indices as a on prices taken one day in arrears as is currently the result of the half-yearly rebalance will be available from A clarification of the word-NatWest Securities Limited and Goldman, Sachs & Co or July 5 1994. The changes will

be effective July 15 1994. The FT-Actuaries World Indi ces are jointly compiled by The Financial Times Limited Gold man Sachs & Co and NatWee Securities Limited in contune tion with the Institute of Actu aries and the Faculty of Actu

All enquiries should be mad to Symon Bradford, NatWest Securities Limited, or 031-243-4258 or to Barbara Mueller, Goldman, Sachs & Co.

ter £2.6m



JPMorgan

Buyers come to copper's rescue after early fall

By Kenneth Gooding Mining Correspondent

The copper market burst into life again late yesterday after pausing for breath earlier this week. However, analysts warned that the copper price and prices of other London Metal Exchange-traded metals might be heading for a fall in

the third quarter. Copper for delivery in three months, which at one point yesterday dropped to \$2,417 a tonne, closed on the London Metal Exchange at \$2,451.50, up \$18.25 a tonne from Tuesday's

close. Traders said that some Japanese buying stopped copper's price fall and later the Chinese also came in with "buy

Mr Nick Moore, analyst at Ord Minnett, said the market was still unsure whether there would be the usual summer lull in business. He added: "I suspect that there will be a lull and the onset of the third-quar-

will indeed witness lower metal prices in the coming quarter. These lower prices will, however, offer a period of consolidation as a prelude to a fresh acceleration [in copper's price] in the final quarter

At GNI, analyst Mr Law rence Eagles suggested that, if copper should begin to fall back, other metals would follow. The self-off was likely to be most aggressive for those metals, such as zinc, which had the worst over-supply Mr Ted Arnold, metals spe-

cialist at Merrill Lynch, remained more bullish. Although he accepted that the copper market might be very volatile in coming weeks and he would not be surprised to see daily trading ranges of 3 to 5 cents a pound, he forecast that three-month copper would trade over the next two to three months between \$2,250 and \$2,550 a tonne (\$1.02 to

Italy to import more Algerian gas

By Robert Graham in Rome

Italy has signed a new gas deal with Algeria, committing Snam, the gas supply subsidiary of ENI, the Italian state oil concern, to buy 2bn cubic metres of liquefied natural gas a year from 1996 from Sonatrach, the Algerian state oil

Algeria already accounts for about 40 per cent of Italy's gas supplies. The latest contract will bring to 26bn on m the annual imports as of 1996, when the second leg of the Tunis-Sicily Trans-Mediterranean pipeline becomes operational. Coming at a time of increasing political uncertainty in Algeria, the contract is seen as evidence of Italy's strategic choice of this North

African supplier.

The LNGs will be transported from Skikda in Algeria to Panigaglia near La Spezia. By 1996 21.5bn cu m of gas a year will be contracted through Snam while an additional 4bn cu m is being bought directly by Enel, the Italian state electricity authority, but transported by

By Deborah Hargreaves

Lupins, the early summer stalwarts of most British gardens, could soon proliferate over much of the country's farmland, and contribute to

reducing the trade deficit. Government research has developed a new strain of white lupin that is suitable for growing in Britain on a commercial basis and can be made into animal feed. The white flowers could be grown by farmers for sale to cattle feed-

makers in two to three years. The new variety grows seed pods that are rich in protein unlike the poisonous seeds of their country garden counterparts. The seeds, which contain almost 40 to 50 per cent edible protein and 10 to 12 per

UK boffins breed a better lupin cent oil, can be crushed to

make animal feedstuff. Much of Britain's animal feed is now made from soyabeans, which are imported from the US at an annual cost of around £350m. Some 30,000 tonnes of lupins are imported from Australia as an additive to livestock feeds.

Research at Cranfield University has shown that the new strain of lupin would be suitable for growing on 43 per cent of farmland in England and Wales. "In the past we had a go at growing the old varieties of lupin, but they couldn't stand the cold and frost," says Mr John Hollis at the university's Soil Survey and Land Research

The new hardier variety can be planted in September to pro-

duce a flower the following summer. The plants have also been genetically manipulated so that the flowers grow closes to the top of the stem and are exposed to the maximum amount of sunlight, with the result that they ripen more

quickly. The plants are partial to acid, or poorer soils, but will not grow on lime-rich soil "Providing you don't have a natural limey soil and you hit the crop planting window right at the beginning of September, you can expect yields of 4 to 5 tomes an acre," says Mr Hol-

Lupins are grown commercially in Australia and parts of South America. In Chile the seeds are fried up and eaten as

US official attacks Canadian wheat marketing

A top-ranking official of the US Department of Agriculture took aim at Canada's entire wheat marketing system in a speech made in Fargo, North Dakota on Tuesday, calling the Canadian Wheat Board's operations "monopolistic" and incompatible with the new free trade climate in North Amer-

The comments, made by Mr Eugene Moos, Undersecretary for International Affairs and Commodity Programmes at the

may indicate that the US will push for an overhaul of Canada's entire grain marketing system, rather than just a short-term fix to a cross-border grain trade dispute, when US agriculture secretary Mr Mike Espy and top trade negotiator Mr Mickey Kantor meet with their Canadian counterparts in

Chicago on Monday. The Clinton administration, under pressure from congressmen from farm states bordering Canada, is threatening to impose emergency quotas on

wheat imports from Canada, and Canada has promised to retaliate. The US claims Canada is unfairly marketing into US wheat-producing regions. although US flour millers and pasta processors contend that short supplies of high-quality US wheat have forced them to

Mr Moos went beyond the domestic trade issues in his remarks on Tuesday, saying: The predatory practices of the Canadian Wheat Board must

buy from Canada.

Although Canada does not

directly subsidise grain exports in the way that the US and the European Union do, Mr Moos said the Wheat Board's pricing policies allowed it to undercut subsidising competitors.

He said he had asked to be allowed use the US grain export subsidy program, known as EEP, against trade competitors other than the EU, warning: "We in the USDA intend to use all of the tools at our disposal to encourage other competitors to trade

Although national grain

marketing boards like those in Canada and Australia were not addressed in the recently-concluded Uruguay round of the General Agreement on Tariffs and Trade, they have recently become the focus of unfair trade practice complaints. Mr Winston Wilson, president of the largest US wheat export trade group, said: "I think it boils down to the fact we are now involved with two free trade agreements with Canada. and we have two different systems of grain marketing that are not very compatible".

Infident

India clears way for private forestry boost

Kunal Bose on moves to allow wood-based industries to join in the replanting effort

ndia, which is far from short maturing trees. The lesachieving its target of I bringing at least one-third of the total land area under tree cover has finally seen the merit of allowing the wood based industries to start for estry plantation in degraded

Captive plantation by industries calls, however, for major amendments to the national

forest policy of 1988. Mr Kamal Nath, minister of environment and forests, had given manufacturers of paper, plywood and viscose fibre to understand that the govern-ment will allow them to take large tracts of degraded forest on leases of at least 30 years to grow an ideal mix of long and

sees will also have the right to grow cash crops in among the

Of India's total waste land of nearly 160m hectares, the share of degraded forest is about 40m ha with a crown density of less than 20 per cent. The National Wastelands Development Board was given a target to bring 5m hectares under tree plantation every year. But the resources at its command have not allowed the board to plant on more than

2m hectares a year. According to Mr SP Goenka, president of the Federation of Indian Plywood Industry, the induction of the private sector into forestry plantation would

not only "ease the pressure on the government, which is short of funds, but it would also create millions of job opportunities in the Indian villages".

The forestry plantation industry, a totally new concept in India, will create jobs for three workers a hectare. So the policy initiative would appear to have the potential to create 120m jobs. As the forest cover in India

is barely 12 per cent and for-estry productivity is only one-fifth that of Europe, the government has imposed severe restrictions on the procure-ment of wood and bamboo by industries. It is, however, the demand for fuel wood by the poor villagers and illegal fell-

ing of trees to make room for food production that have actually played havoc with Indian The government has sought

to give relief to the wood-based industries by allowing them to import timber, pulp and waste paper. Some paper and plywood manufacturers have gone in for social and farm forestry establishing direct contact with the farmers, as allowed by the 1988 forest policy. According to the Indian Paper Mills Association, "the social and farm forestry cannot be a dependable source of raw material for the industry since the farmers are free to sell the

trees to anybody". Mr Goenka says the success of private sector participation in forestry plantation will call for an "attitudinal change of the official agencies at the federal and state level. The government financial institutions should be ready to provide adequate funds by accepting mortgage of trees".

Tree plantation has a sever year cycle. If the private forestry plantation work is flagged off soon, then the Indian wood based industries. which have not seen much growth in recent years, will have the confidence to plan for new capacity. India could also emerge as an important exporter of wood and wood based products within ten years, says Mr Goenka.

Computer model could cut nitrogen applications

By Deborah Hargreaves

Predictions of the nitrogen needs of crops on different fields at varying times of year can be made available to farmers on a computer model developed by Horticulture Research International, the company said this week.

It claimed the computer programme would enable farmers to target their nitrogen applications more accurately so that

SOFTS

III COCOA LCE (E/tonne

crops grew well. It should help eliminate the environmental damage and waste of money associated with using too much nitrogen fertiliser.

The company said the computer model, which had been tested over 3,000 hectares, offered nitrogen predictions for wide range of crops. The model comes as farmers face mounting pressure from environmentalists about cutting their use of nitrogen fertilisers.

MARKET REPORT

Coffee and cocoa prices fall sharply

COFFEE futures fell sharply at the London Commodity Exchange yesterday afternoon, emulating a drop in New York. The September delivery position finished \$66 lower at \$2,278 a tonne, slightly off the lows, mainly on profit-taking, with little news to drive the market

one way or the other. "I don't think anyone has a genuine idea of where the price is going," one trader com-

The LCE COCOA market, which was also influenced by the trend in New York, had a lacklustre day, nudging below the opening lows and finishing £15 down at £1,000 a tonne, its low of the day, in the Septem-

A trader said the producer selling seemed to be largely "on hold", with much of the activity dominated by speculators following general commodity market trends.

At the London Bullion Market GOLD finished unchanged after fixing at a 5%-month high in the morning in response to New York's overnight rise. But the US market weakened yesterday as the dollar put in a stronger performance.

Dealers said gold was still tied to currency markets but had shaken off its allegiance to moves in the Commodity Research Bureau index. Compiled from Reuters

COMMODITIES PRICES

BASE METALS LONDON METAL EXCHANGE Prices from Amalgemeted Metal Tracing)

ALUMINIUM, 99.7 PURITY (\$ per tonne)								
	Cesh	3 mths						
Close	1441-2	1471-2						
Previous	1444.5-5.5	1474.5-5						
High/low AM Official	1433 1433-9.5	1473/1462 1484-4.5						
Kerb close	1400-020	1473-3.5						
Open int	271,782							
Total daily turnover	48,404							
ALUMINIUM ALLO		<u> </u>						
Close	1440-50	1458-60						
Previous High/low	1450-60	1465-70 1460/1455						
AM Official	1435-45	1450-5						
Kerb close	2,930	1455-60						
Open Int. Total delity turnover	2,969U 748							
LEAD (5 per tonne)								
Close	638-9	556-7						
Previous	540-1	558-8.5						
High/low		558/547						
AM Official Kerb close	630.5-1	547-7.5 555-8						
Open int.	37,480	333-6						
Total daily turnover	37,480 8,363							
MICKEL (\$ per ton	nej							
Close	6390-400	6480-90						
Previous High/low	6400-10 8270/8265	8490-500 8616/8845						
AM Official	6268-70	6360-5						
Kerb close		6490-500						
Open Int. Total daily tumover	56,252 10,497							
E TIN (\$ per tonne)								
Close	5570-80	5640-50						
Previous	5670-B0	5655-65						
High/low AM Official	5575	5850/5815						
Kerb close	5538-42	5620-1 5630-40						
Open Int.	16,313	7333 10						
Total delly tumover	4,195							
E ZINC, epecial high								
Close Previous	984-5 989.5-90.5	1009.5-10 1015-8.5						
High/low	304-2-00.0	1012/1002						
AM Official Kerb close	977-8	1003-3.5						
Open Int.	106,195	1009-10						
Total daily turnover	20,742							
E COPPER, grade /	(2 ber rouse)							
Close	2438-7	2451-2						
Previous High/low	2419-20	2433-3.5 2465/2421						
AM Official	2403.5-4.5	2420-1						
Kerb close		2484-5						
Open int. Total daily turnover	281,456 69,380							
III LME AM Official	C/S rate: 1 53	92						
LME Closing C/S	rate: 1.5304	-						
Spot:1.5315 3 mibe:1,52		9 mile:1.8257						
E HIGH GRADE CO								
Day's Close cheap		Open Int Vol						
	5 112.95 112.95							
JBI 113.20 +1,49	5 114,35 110,50	20.913 2,872						
AND 113.40 +1,5	5 112,80 112,20	702 3						
Sep 113.60 +1.65	5 114.75 110.70	25,000 E 100						

PRECIOUS METALS III LONDON BULLION MARKET (Prices supplied by N M Rothschild Gold (Troy oz.)

392,60-393,20 Moming fix Afternoon fix Day's High Day's Lew 393.10 392.45 393.80-394.20 256.024 255.501 390.10-390.50 380.50-390.90 Loco Ldn Mean Gold Lending Rates (Vs USS)

+1.65 114.75 110.70 25.898 +1.65 - 275 +1.65 - 275

Sitver Fix Spot 554.40 580.75 567.20 584.35 365.25

390.0 88,350 57,195 383.7 5,497 787 396.0 26,359 2,275 401.0 6,740 737 161,383 63,509 -3.7 412.0 405.5 9,883 -3.5 414.5 408.5 11,806 1,478 1,545 9 414.0 416.0 PALLADIUM NYMEX (100 Troy cz.; \$/troy cz.) 138.05 +0.05 139.25 138.00 138.55 -0.95 140.00 138.25 138.75 -0.95 140.00 138.25 138.75 -0.95 164 8,191 680 18,612 680 32 124,718 33,790

Precious Metals continued

M GOLD COMEX (100 Troy oz.; S/troy oz.)

ENERGY ■ CRUDE OIL NYMEX (42,000 US galls, \$/barrel) E CRUDE OIL IPE (\$/barrel) 17.38 73.136 25,001 17.38 39,827 9,823 17.11 10,121 3,552 17.05 6,531 1,992 17.05 10,441 1,171 - 2,596 296 140,720 42,457 +0.13 +0.10 +0.02 17.61 17.38 17.27 17.19

AG CHL NY)

Latest Day's
price change High b.

\$51.00 -0.38 50.75 50.10 2.

\$50.50 -0.35 81.15 50.40 28,00.

\$51.24 -0.30 57.85 61.30 18.00 4.

\$52.25 -0.25 52.80 82.25 10,300 4.

\$0.25 -0.20 54.75 54.05 18,727 124,739 IN HEATING COL NYMEX (42,000 US galls.) c/US galls.) 8,628 8,241 4,489 814 599 1,806 -1.75 158.75 158.50 29,445 -1.75 180.75 158.75 -1.75 162.60 180.50 -2.25 165.25 163.25

-2.25 165.25 163.25 8,243 -1.75 167.00 165.75 5,224 -1.50 168.25 167.00 13,828 165,75 2030 -0.048 2,070 2,030 12,138 2,112 -0.073 2,125 2,170 18,278 2,130 -0.009 2,145 2,150 10,355 2,130 -0.006 2,185 2,150 10,355 2,229 -0.004 2,230 2,220 11,286 2,330 +0.002 2,330 2,321 14,471 0.048

INTMEX (42,000 US galls.; c/US galls.) -0.13 54.35 53.50 :
-0.17 54.80 53.80 :
-0.15 54.40 63.80 :
-0.20 52.75 52.70 -0.40 51.75 51.10 -0.10 55.80 55.70

+0.85 102.00 101.75 +0.70 102.75 102.95 +0.65 104.60 104.40 +0.80 106.15 108.15 444 2,201 1,352 450 378 4,898 +0.85 108.00 107.75 MI WHEAT CET (5,000bu -5/0 325/6 319/0 74,695 36,485 -4/4 333/0 326/0 65,035 21,490 -5/0 344/6 337/0 115,220 53,300 -4/2 347/2 340/0 18,140 4,970 -1/8 336/0 334/4 335 --1/4 322/0 320/0 2,055 25/0 MAIZE CET (5,000 bu min; cents/56to bushel) -6/2, 266/4 -7/4 250/0 -6/4 253/6 -8/0 260/6 -7/2 265/0 -7/2 266/4 2584 339,125 112,825 2584.538,122 112,840 2520 224,935 51,940 2440 576,505 267,035 252/4 63,550 8,320 257/4 10,550 1,320 259/0 18,385 3,870 3,870 N/A -0.30 - - --0.05 100.25 100.00 880/4 664/0 180,810 76,190 677/0 661/0 107,865 34,890 884/0 846/4 52,465 7,875 662/4 834/48,830 204,575 668/0 640/4 30,320 5,160 983/0 846/0 14,095 1,355 16/4 M/A -8/4 -10/2 -12/6 -14/0 -14/6 -13/4 28.88 -0.56 27.55 26.93 14,910 27.00 -0.56 27.52 26.94 15,413 26.91 -0.54 27.40 26.80 12,204 26.54 -0.58 27.10 26.48 9,106 26.23 -0.58 28.00 26.08 23,670 28.18 -0.54 28.65 28.05 2,798 8/A -2.3 195.4 191.6 16,964 -2.3 196.0 192.0 19,760 -2.2 195.3 191.3 14,276 -2.5 192.7 188.8 6,590 -3.1 182.5 188.8 6,590 -2.7 191.3 188.5 1,802 -2.7 191.3 188.5 1,802 2,979 996 1,563 154 |UA POTATOES LCE (E/ks 90.0 105.0 158.5 1315 1306 1300 +15 +25 +14 +3 +1 +13 11 205 163 1303 1290 1357 1,535 490 257 674

GRAINS AND OIL SEEDS

WHEAT LCE (£ per tonne)

Spot and shipment sales in Liverpool amounted to 8 toxines for the week ended June 17, sgainst none in the previous week. Subdued offtake did not bring many operations. Support was terthooming in certain specialist styles, notably in the Sudanese range.

-10 -15 -12 -8 -7 998 1016 1633 1052 1065 1,210 1,846 996 814 65 Sup Dec Mar May Jul Total 1000 1020 1039 1050 19,785 26,248 28,020 19,773 1800 1019 1038 1056 会会会会会会会 1335 1376 1415 1445 1385 746 158 40,218 7,724 12,147 1,203 7,971 24 2,938 5 2,346 4 1280 1285 1336 1365 1391 1330 1365 1391 BI COCOA (ICCO) (SDR's/tome 2285 7,379 1,101 2278 20,083 2,385 2282 7,342 458 2280 6,373 334 2220 2,683 109 -68 2350 -65 2340 -54 2315 -54 2390 -51 2279 -65 -BI COFFEE 'C' CSCE (37,500lbs; cents/lbs) Pr COFFEE (ICO) (US cents/pound) Pres. day 123.64 119.84 12.25 12.09 -0.26 -0.31 3,385 1,101 11.82 -0.26 11.73
 347.70
 -2.50
 383.50
 347.40
 11,707
 2,814

 320.90
 -4.50
 3826.50
 320.50
 8,270
 904

 314.40
 -4.50
 319.50
 314.00
 347
 14

 311.90
 -4.80
 317.80
 311.50
 2,665
 2,265
 2

 311.00
 -4.80
 314.00
 313.00
 306
 5

 310.30
 -4.30
 313.00
 313.00
 306
 5
 R SUGAR '11' CSCE (112,000lbs; cents/lbs) -0.27 12:15 11.80 18,939 7,887 -0.33 12:19 11.80 74,168 7,801 -0.28 11.87 11.56 29,122 1,576 -0.21 11.80 11.57 4,228 247 -0.18 11.58 11.55 1,820 81 -0.15 11.63 11.57 1823 82 -0.15 11.63 11.47 833 32 11.83 11.57 11,57 11,58 11.47 IN COTTON NYCE (50,000bs; cents/bs) 75.14 -2.00 77.10 75.14 5.388 2,778 75.70 -1.13 78.61 75.70 7.754 1,751 78.35 -0.80 75.80 75.28 29.92 5.550 78.35 -0.55 78.65 76.30 4,20 77.10 78.85 -0.40 77.10 78.80 2,172 194 76.30 4,220 77.10 76.80 2,172 795

Haran Sap Jan Haran Haran Haran **VOLUME DATA** INDICES

MEAT AND LIVESTOCK III LIVE CATTLE CME (40,000lbs; cents/fi 62.850 -0.860 63.900 62.400 53,618 66.850 -0.775 67.425 66.400 17,308 68.400 -0.350 68.650 68.000 10,794 60.275 -0.350 68.500 68.900 7,858 -0.425 70.750 70.175 47.500 -0.525 47.575 48.850 48.950 -0.950 47.950 48.750 48.700 -0.525 47.900 48.325 43.450 -0.476 43.975 43.900 43.850 -0.500 44.350 43.600

Strike price S tonne 37 49 65 E COFFEE LCS

> LONDON SPOT MARKETS III CRUDE Oil. FOB (per berrel/Aug) +01-Brent Blend (dated) Brent Blend (Aug) W.T.L. (1pm est) \$17.50-7.52 \$17.47-7.49 \$19.59-9.61q -0.08 -0.11 -0.17 Premium Gescine Gas Oil Heavy Fuel Oil Nephtha Jet Fuel \$185-187 \$155-156 \$79-82 \$165-168 \$167-169 -1,0 **E** OTHER

99.50 99.05 1,380 58 Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CET, NYCE CME, CSCE and IPE Crude Oil are one day in arrears.

3.234

REUTERS (Base: 18/9/31=100) month ego 1983.7 TE CRB Futures (Base: 4/9/56=100) Jun 21 234.29

ORANGE JUICE NYCE (15,000lbs; cents/lbs)

90.00 -0.15 90.75 89.75 5,683 952

-0.10 93.40 92.30 -0.20 95.25 94.50 -0.15 97.40 96.80

438 233 23 E PORK BELLES CME (40,000lbs; cents/bs) 42,000 -2,000 44,150 42,000 41,350 -2,000 43,460 41,350 47,800 -1,150 48,300 47,400 48,575 -0,125 47,800 46,975 50,425 -48,800 48,500 -1,200 -48,500

LONDON TRADED OPTIONS

Gold (per troy oz) \$
Silver (per troy oz) \$
Platinum (per troy oz.)
Palladium (per troy oz.) \$390.70 544.50c \$408.50 +2.65 \$138.50 Copper (US prod.) Lead (US prod.) 117,0¢ 35.75c Tin (Kusik Lumpur) 14.30n -0.06 Tin (New York) Zinc (US Prime W.) -1.00 Una. Cattle (live weight)† Sheep (live weight)† Pigs (live weight) 122,160 -8.65° 98.97 p 80.05p -13.97 Lon. day sugar (raw Lon. day sugar (wto Tate & Lyle export +\$.00 £312.00 Berley (Eng. feed) Maize (US No3 Yelk £105.5k \$143.0 £180.0 Wheat (US Dark North)

77.75p 77.75p 275.50m +0.25 +1.00 Coconut Oil (Phil)§ Paim Oil (Malay.)§ Copra (Phil)§ \$620.0z \$505.0q -6.0 \$406.0 -4.0 Wooltops (64s Super) 422p \$ per torms unless otherwise stated, p pencering, o cants/fb. r finggiffig. m Malaysian cants/fg. q Au t Oct/Dec z Jun/Jul. w Jul. ♥ London Physical. CIF Roterdam. ♣ Bullion market close. ♠ She

CROSSWORD

No.8.487 Set by DANTE

rity? (3,4) 14 Country full of males in song 10 It's for drawing daily fuel (8)
(7)
12 Introduce girl to mysterious 17 Local date incorrectly

rite with incense (8)
A binding affair is arranged 18 16 A resultition becoming excessive (10)

19 Fd come up with poetry that's different (7) sive (10)
Unitidy diary reads badly (10)
Strike action when mates are sent back (4) 21 Here and now (7) 22 It will flatten a canary (6)
24 Not a game-keeper? (5)
26 Mount hotly tipped when it

23 A number sail out 25 I covered for ex-union member (8)
27 Looks up to certain relations 28 Cowardly sort of spirit? (6) 29 Old Italian civilisation's wild

centaurs (8) Entry on the right (6) DOWN

1 Staying out in the dark? (7)

2 Contract debts without inter-3 Set tea served in a stately

home (6) 5 Long for a piece of Gouda cheese (4) 6 Aquatic creature softly goes into ground (8)

UMBLING KINDLE E I U ... A H ANCTUTY SPORUT TITESOTERIC FORMATER R R R M A R O L MEDDLESOME C C 8 N M D A D

Solution 8,486

out (9) Shakespearian magician's

JOTTER PAD

icar market

The house

Confident close as dollar sentiment improves

Reports that President Clinton planned to make a statement on the US dollar reached London towards the close of trading, underpinning a rally in share prices as British government bonds rose sharply. The stock market, already encouraged by a steadier trend in the dollar and by the minutes of the latest meeting between the UK chancellor of the exchequer and the Governor of the Bank of England, moved higher in the final hour of trading to finish at

the day's best levels. President Clinton's statement followed comments from Mr Alan Greenspan, chairman of the Federal Reserve, that the inflation outlook in the US appeared very reasonable. Bond markets, taking the view that defence for the dollar might exclude higher interest rates in the US. advanced strongly.

The FT-SE 100 Index ended 20.2 higher at 2,960.4, the first recovery after four sessions of losses. By Tuesday's close, the index had fallen by about 3.5 per cent since the market began to slide in the middle of last week.

After a slow start, equities began to edge ahead early yesterday with the help of a steadier trend in the US dollar and in Federal bonds at the close of the New York session. But an early Footsie rise of 19.5 was not held. In the absence of genuine investor support, gains were halved as investors waited for Mr Greenspan to begin his testimony to the

House Budget Committee. Seaq volume was very slow to develop, and barely reached 200m

Account Dealing Dates *First Dealings: Jun 6 Jun 20 Jun 30 Jun 17 **Jul 15** unt Ony Jun 27 Jul 11 Jul 26

"New time dealings may take place husbass days surfer.

shares by mid-morning. Underlying confidence continued to improve when the minutes of the May 4 meeting of the UK chancellor and the Bank of England Governor indicated that fears that domestic interest rates were poised to rise might have been overdone. Another modest reduction in money market repo rates in Germany also helped to

cool nervousness However, the London market was

when New York opened and Mr Greenspan began his testimony by saying that he would not speak about the dollar. It was late in the session when the President's statement reached London, and the sudden recovery in share prices owed as much to technical factors as to genuine investment buying. Marketmakers were only too happy to buy stock to meet the wave of selling

day and Tuesday. Second line stocks were left behind as the market turned, and the FT-SE Mid 250 Index remained in the doldrums, closing 0.7 down at 3.46L2

commitments taken aboard on Mon-

There were strong recoveries in some interest rate-related stocks which had been hit hard in the market shakeout. Oil shares, too,

still no more than quietly firm returned to favour as crude prices continued to make progress. Among the market's bid features, Enterprise Oil moved higher, reflecting growing belief in the stock marke that its bid for Lasmo will fail; shares in Lasmo gave ground but remained well above their level at the time of the Enterprise approach.

> The late rush to buy stock caused delay in the Stock Exchange calcu lation of total Seaq business. At 4.30pm, the Seag total stood at 462.4m shares, compared with 544.5m in the previous session, with non-Footsie shares making up only about 52 per cent of the day's equity business. However, retail, or cus tomer, business on Tuesday was worth only £926,4m, indicating that the big investment funds had not been heavy sellers of stock as the 5 Oil, integrated .

market plunged.

tive on the latter two - and

Berkeley Group 7 to 403p.

Among materials suppliers,

Caradon gained 13 to 293p, BPB Industries 10 to 292p, Blue

Circle - being recommended

by Panmure Gordon - 16 to

285p and RMC Group 19 to

had placed a firm order for 10

Airbus A340-300 and 20 options

helped British Aerospace gain

4 to 465p. The company builds

the wings of the aircraft and is

a 20 per cent stake holder in

Sentiment was further

boosted by reports that BAe

has renewed talks with Taiwan

Aerospace Corporation over a

joint venture to produce

regional aircraft. Overseas

interest in the stock continues

and the group said foreign

holdings in the company stood

at 28.7 per cent, just shy of the

29.5 per cent permitted under

the company's articles of asso-

Singapore Airlines aircraft

went to US group Pratt &

Whitney dampening sentiment

in Rolls-Royce. The shares

eased 11/2 to 182p, in trade of

4.7m with reports of a delayed

order from Malaysia also hurt-

Conglomerate Tomkins

The engine order for the new

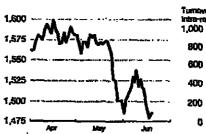
ciation.

the shares.

the Airbus consortium.

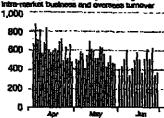
News that Singapore Airlines





- Yea areactors	•	
Indices and ratios		
FT-SE 100	2960.4	+20.2
FT-SE Mid 250	3461.2	-0.7
FT-SE-A 350	1492.5	+7.8
FT-SE-A All-Share	1485.05	+7.02
FT-SE-A All-Share yield	3.97	(3.99)
Best performing s	ectors	
1 Gas Distribution	·	43.6
2 Building Materials		+2.3
3 Insurance		+1.4

Equity Shares Traded



Indices and ratios			
FT-SE 100	2960.4	+20.2	F
FT-SE Mid 250	3461.2	-0.7	F
FT-SE-A 350	1492.5	+7.8	F
FT-SE-A All-Share	1485.05	+7.02	10
FT-SE-A All-Share yield	3.97	(3.99)	Ļ
Best performing s	ectors		w
1 Gas Distribution	····	+3.6	1
2 Building Materials			2
3 Insurance		+1.4	3
			_

FT Ordinary index FT-SE-A Non Fins p/e 18.95 T-SE 100 Fut Sep +30.0 10 vr Gillt vield

W	orst performing sectors
1	Pharmaceuticals1
2	Engineering, Vehicles
	Consumer Goods
	DistributorsC
	Mousehold Goode

Glaxo out of favour

Pharmaceuticals heavyweight Glaxo led the sector down on speculation that the company nad, as one dealer put it. "taken a bath in the bond market". These suggestions were accompanied by a downgrade of Glaxo shares by one US bank and rumours of negative

comments by another. Analysts have been scrutinising Glaxo's investment port-

folio over the past few days as the group approaches its yearend and some believe that as much as half of its £2bn securities investments are in the

badly hit global bond market. Yesterday there were whispers that the company might have lost heavily in bonds. Although some analysts were sceptical, the shares were marked down in early trading Then, dealers heard that Goldman Sachs had cuts its Glaxo profits forecast for the

current year by £50m to £1.9hn. telling clients that sales growth of both Zantac, the topselling anti-ulcer treatment, and also of its anti-emetic treatment for cancer patients,

were slowing more than anticipated. Finally, there were reports that Lehman Brothers had prepared a negative report on weekly prescriptions for

The stock ended the day 14% lower at 538p. The fall unset-tled SmithKline Beecham, whose "A" shares slipped 5 to 403p, and Zeneca, off 4 at 712p.

Builders strong

There was a positive tone tion and building materials sector, with the good news flow continuing. Construction group Y.J. Lovell said price levels in the residential sector

were showing an upward trend and sales incentives were being steadily reduced as it reported an interim loss of £1.13m, against £3.93m the previous year. The shares slipped 3 to 830.

There were also encouraging words from John Laing as it announced a £72.5m property deal. The shares rose 13 to 287p. The building group said it believed prices for new houses in the UK had stabilised and Laing Homes was beginning to see some price

increases in the south ea Elsewhere, Beazer Homes added 5 to 147p, Taylor Woodrow 9 to 133p, Barratt 6 to 201p - with NatWest said to be posi-

TRADING VOLUME

ASDA Group?
Abbey National?
About Fisher
Allect Fund?
Angelen Water
Angelen Water
Angelen Water
Angelen Group?
Anjo Waggins?
Assoc. Brit. Porc
BAAT.

BAT Indu.†

Bass Middand Bact.
Eng Chinn Citys
Briughte Off
Emptannel Units
Rd
Fistons
Froter
Gen. Academy
General Bect,
Glissor
General Get,
Glissor
Grand Mist.

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (9). BLDQ MATLS & MCHTS (1) Helstood (J). CHEMICALS (1) Amber Ind., ENGINEERING Newmork (1), EXTRACTIVE INDS (2) FOOD MANUF (1) Trees, SPIRITS, WINES & CIDE

BREWERIES (4) Greensits, Greens K Thompson, Vaux, BUILDING & CNST Thompson, Value, BUILDING & CHISTRE BLDG MATLS & MICHTS (5) CRH, Grah Heywood Williams, Do Cris. Prl., PE CHEMICALS (2) AGA, Doelles, Sca inchespa, Las Service, Time Products, DIVERSIRED BIDLS (S) Bibby (J), Carmon Street Invs., Charter, Hanson Pape Cinc. Ed., Powell Dutlyn, Unders, ELECTRICITY (1) Sc rûn & HE. DAL Je Mickechnie, Meggat, Weir, Whesee, 690, VEHICLES (4) BBA Group, Do Stipe Chr. Pf., Benson, Lucas India, EXTRACTIVE INDS (5) ecc. Brit. Foods, (

Interes. Do NV. HEALTH CARE (6) AAH, Cou Umaver, do nv. Packer Cave, ga Avr., coli Cavendeh, CrestoCave, Environmed, Goldsbortugh, Quality Care Hornes, HOUSEHOLD GOODS (S) Liliput, Recidit & Colman Rhope Chv. Bd., Sherholght, INSERNANCE (S) BRVESTHERN TRUSTS (SI) INVESTRIGHT COMPANIES (7) LIFE ASSISTANCE (T) METTER & Juveno Carbon INVESTMENT COMPANIES (7) LIFE ASSURANCE (1) MEDIA (6) Avence, Carbon Comms. 814p Pri., Daily Mail A, Essvier, New EXPLORATION & PROD (1) OF, INTEGRATE

(2) OTHER FINANCIAL (5) PHARMACEUTICALS (2) PRING, PAPER &

edged a penny forward to 224p, with Smith New Court reported to be recommending

A stock overhang in engineering group GKN which returned to the list of FT-SE 100 companies this week, saw the shares relinquish 8 to 574p.

NEW LOWS (201). OTHER FIXED INTEREST (4) BANKS (2)

POCD MANUF (10) Assoc. Sits. Foods, 1 Pizza, Delgesy, Devro Intl., Golden Vale, Haziewood, Northern Foods, Tate & Lyle

PHARMACEUTICALS (2) PRING, PAPER & PACKS (1) Stom B, PROPERTY (15)
RETAILERS, GENERAL (8) Carpetright, DFS, Ensex, Lloyds Chemists 71/p Prt., MFI, Menzies (J), Nottingtem, Sofrebys A, Wyserials Gestion Centres, SPIRITS, WINES & CIDERS (3) Bulmer (+F), Grand Mex, Marrydown, SUPPORT SERVE (9) Comme, Greshinn Telecomputing, Miscro 4, Microgen, Misys, OIS Intl., PCO, Virtually, TELECOMMUNICATIONS (2) Securitor A, Socurity Savones, TEURLES & APPAREL (8) Gent (SF), Leeds, Leefe Wine, Marling, Strukmund, TOSACCO (1) BAY, TRANSPORT (2) Euroburnel Uts., Misrey Docks & Histour, Eurotunnel Uts., Mersey Docks & History.

The stock was initially hit by vague talk of a profits down-Royal Bank of Scotland trod

over what it would do with the eash raised from the sale of its 7.3 per cent stake in venture capital group 3i, which was floated yesterday. The shares closed steady at 428p. The offer of £711m of equity in 3i was 1.7 times oversubscribed and the shares will be placed with institutions at 272n each, a 13.5 per cent discount to net asset

were no strategic implications

Lloyds Bank shares fell 1% to 548p as Smith New Court turned seller and cut its current year forecast by £150m to £1100m. Mr Richard Coleman of Smith's banking team said: Even if they get Cheltenham and Gloucester it doesn't transform Lloyds into a high growth

dynamic stock." Chemicals group ICI jumped 17½ to 756p in reponse to a positive presentation by the company to analysts and subsequent recommendations. ICI said that conditions in its Tioxide subsidiary were improving. Many brokers were recommending the shares including Smith New Court, UBS and

Kleinwort Benson. BAT Industries fell sharply in early dealing as the market digested news that its Brown & Jackson unit in the US had sneaked through a high nicotine tobacco and used it in some cigarettes. However, the shares recovered later to close

barely unchanged at 390%p. Mildly disappointing results from First Leisure was the signal for a sell-off in the shares, which finally ended the session

19 off at 289p, although turn-

Analysts lowered their fullyear profit forecasts by around 5 per cent, representing largely the fall in margins in the ten pin bowling division.

Relief over the result of the George Michael versus Sony court case lifted Thorn EMI, with investors likely to be further buoyed by the publication of the MMC report into compact disc prices, due today. The to exonnerate the record companies, although retailers are thought more likely to come in for some muted criticism. Thorn shares gained 11 to

Drinks stocks were subdued although Guinness managed a rise 5 to 4530 on reports of a five-fold rise in Guinness sales as well as a Bell's whisky presentation to analysts.

Good results from Carpetright could not stop the shares from being subject to profit-taking and they retreated 61/4 to 2491/sp.

Freight group NFC continued Capel buy recommendation issued on Tuesday.

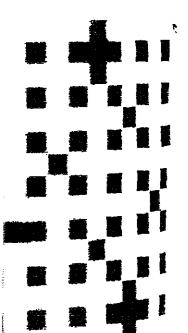
The shares added another 3% to 190%p. The company said after the market close that it is to terminate plans for a scrip dividend in respect of the first interim dividend for the year

MARKET REPORTERS: Peter John, Christopher Price.

Other statistics, Page 23

CROSSWORD

Miles full the



EQUITY FUTURES AND OPTIONS TRADING The first trade in the

Footsie futures rallied strongly on the back of a recovering bond sector and talk of an impending statement on the US dollar, writes Joel Kibazo.

September FT-SE 100 contract was struck at 2,948. But for a brief decline to 2,941, buyers III FT-SE 100 INDEX FUTURES (LIFFE) 525 per full index point

Dey's Year Jun 22 chge#6 Jun 21 Jun 20 Jun 17 ago

+0.7 2940.2 2671.1 3022.9 2900.7 3481.9 3470.7 3527.1 3215.5 -0.1 3467.9 3480.9 3527.0 3231.9

-0.5 1484.7 1498.4 1523.3 1444.9 4.04 -0.1 1826.68 1835.58 1850.73 1844.48 2.08 -0.2 1809.73 1815.89 1827.87 1850.06 3.23 +0.6 1478.03 1491.12 1515.01 1430.48 3.87

neare Dey's Year Div. Earn P/E Xd adj. Totat Jun 22 chge% Jun 21 Jun 20 Jun 17 ago yield% yield% ratio ytd Pasturn

+1.3 2504.05 2845.96 2582.43 2248.00 3.54 4.44 28.25 37.93 1048.21 +1.3 3724.28 3811.04 3847.86 3094.30 3.51 5.35 23.43 43.39 1029.98 +1.3 2551.21 2592.12 2634.40 2178.00 3.56 4.58 27.13 40.43 1048.93

 +1.3 3724_28 3811_04 3847_36 3094_30
 3.51
 5.35
 23.43 43.39 1029_88

 +1.3 2551_21 2592_12 2634_40 2178_00
 3.58
 4.58
 27.13 40.43 1048_93

 +1.0 1850_58 1953_52 1950_18 1958_70
 3.39
 1.20 80.001 16.27 1129_18

Sep Dec	2948.0	2968.0 2977.0	+30.0 +30.0	19gn 2992.0	2941.0	14304 0	5026 952
FT-SI	E MIED 250 IN	DEX FUTU	ES (LIFTE	210 per f	uli index po	int	
Sep	3482.0	3449,0	-1.0	3482.0	3445.0	201	389

SE FT-SE MILD 260 INDEX FUTURES (OMLX) €10 per full index point 3449,0 -

s F	T-SE 1(00 D	NDEX	OPT	ION (E) (*26	957) 9	210 p	er full	inde	ex polit	nt.			
	29	36	29	 50	20	200	25	 150	3		3	958	3	100	31	150
Jisi Aug	C 176 ¹ 2 197	P 14 34	C 1341 ₂ 162	21	9812	34	64	52 ¹ 2	39	78½ 107½	22	11212	12	15212	612	198

	2775	2825	2875	292	2975	3025	2075	3126
ja j	1987 12	15312 1712	1142 284	7912 4	12 5012 64	2 29 925	16 12812	8t ₂ 170t ₂
Aug	215 25 ¹ 2	17812 3612	1415 51				42 150 ¹ 2	
Sen		188 4712		125 8		76 132 ¹		41 196
Dec		23312 8512		171 2 1		119 168		79 ¹ 2 224
Wat		Z70 1073->		289 ¹ 2 1	43	156 188	. 1	1552413

III, ELIRO STYLE FT-SE MID 250 INDEX OPTION (OMLX) \$10 per full index point 3480 3500 3650 3600 3650 53 55¹2 32¹4 84¹4 18¹4 120 16 161¹4 5

1485.05

2697.75

1969.40

FT - SE Actuaries Share Indices

FT-SE 100

FT-SE Mild 250 ex inv Trusts FT-SE-A 350 FT-SE SmellCep FT-SE SmellCep ex inv Trusts

10 MINERAL EXTRACTION(18)

20 GEN MANUFACTURERS(263)

12 Extractive Industries(4) 15 Off, integrated(3) 16 Oil Exploration & Prod(11)

■ FT-SE Actuaries All-Share

FT-SE-A ALL-SHARE

throughout the day. The smaller broking houses and independent operators (locals) were reported to have been the main buyers in the first half of the session. The reduction in interest rates in several European countries and the improvement in bonds underpinned the buying activity, helping September

to maintain a premium to cash. Reports that the US President was to make a statement on the dollar, and the strong buying on Wall Street, gave further encouragement to derivatives traders in London which

brought a squeeze on the contract towards the close. up 30 from its previous finish and at a premium to the cash market, although at a slight discount to its fair value premium to cash of 13 points. Dealers reported a further rise in after-hours' trading. Closing

volume was 14.304. Turnover in traded options improved to reach 33,792 contracts. FT-SE 100 option volume was 12,720 lots, and 2,154 were traded in Land Securities to make it the busiest stock option.

Div. Bern. P/E Xd adij. Total yleki% yleki% ratio ytd Return

4.18 3.59 3.75

7.06 16.77 52.31 1106.91 5.83 20.76 53.77 1277.39 6.30 19.35 55.57 1275.44 6.78 17.55 25.54 1142.05 4.06 31.34 22.48 1403.45 4.46 29.19 23.01 1392.72 6.56 18.14 25.00 1158.01

14.81 52.29 871.87 15.56 36.81 952.00 16.55 58.78 916.90 13.87 48.04 884.90 15.58 41.30 849.85

31.10 26.22 847.27

3.13 67.88 25.58 947.35 7.94 14.52 47.20 861.34 10.40 10.96 102.35 728.49

8.51 7.71

5-100 85-5 405 1-100 85-5 1-100 8 +1 +1 ½ +3 +10 +1 -14 ½

480 1,500 1,700 1,

LIFFE EQUITY OPTIONS

Affect Lyons 540-381/s 521% — 6 15 — (*589) 588 BH; 251% — 281% 38 — August 222% 397/s 54% 7 12 220 222% 397/s 54% 25% 97/s 16 21% ASDA 50 7 85/s 181/s 11% 4 41% (*55) 60 11% 4 8 61% 99/s 101% fenson (*241) Leamo (*148) Lucas Inde (*171) 240 1814 1516 19 776 13 1616 260 4 8 11 20% 2576 2816 134 1816 2316 - 316 7 -154 816 12 - 12 16 -500 37% 51% 63 14% 33% 37% 650 13% 27% 41 43 63% 67 160 13 19 21% 7 11 14 180 4% 10% 12% 19% 22% 26 Brit Airweije 360 35 4614 5116 316 1039 16 (*368) 380 1416 2816 3416 1316 23 2916 3616 British 3 290 2225 3316 42 816 18 2776 (*402) 420 776 19 2816 2576 36 44 866 55 576 14 21 (*525) 550 676 22 3019 30 376 4616 (*617) Pticington (*164) Presidential (*297) 280 25 31 36 5 12 14 300 12 19 25% 12% 22 23% EP 390 21 33 39% 7 15% 22% (*401) 420 8% 18 25% 25 33% 38% 88 18 18 25% 25 33% 38% 11 17 4% 8% 11 (*136) 140 4 8 12% 10 14 16 8885 500 26 4 48% 11 22 33% (*510) 550 6 18% 25% 44% 50% 54% Tesco (*227) Vocations (*489) Williams (*343) 220 15 21 2614 514 13 16 240 514 1114 17 1614 2414 27 4 460 42 39 6531 8 1514 2514 500 1779 36 4414 2514 3815 45 4 325 23 33 - 5 12 -354 834 1776 - 19 2714 -Jul Oct Jan Jul Oct Jan Орбоп

C1 750 261% 41 S7W 16 37 45 (756) 800 7 21% 35 49% 67% 74% (Inglister 460 45 54% 86% 4 14 20% (747) 500 [81% 38 42% 17 31 38 BAA 900 2874; 5414; 667 18 32 42 (2006) 950 9 30% 44 50% 61 68% (348) 18 420 36 4714; 61 3 10 1614; (448) 460 10 23 2774; 1914; 2514; 3514 Sep Dec Mar Sep Dec Mar Land Sacur 800 21 35% 43 11 17% 25% (107) 650 4 15% 19% 44 46% 54 Marks & 8 360 21 32% 40 5 11% 15% (1404) 420 55% 17 25 20% 26 30% 48 107 40 17 40 17 40 17 40 18 10 18 17 25 20% 26 30% 46 55% 41% 13 17 (1452) 460 11% 23 23 181% 31% 25% Abbey Med 390 36% 38 45 13 18 26 (*405) 420 15% 23% 30 30 34 42 Ametrical 25 6 7 7% 2 3 3% (*22) 30 376 4% 5% 4 5 6 500 51 1/2 599/2 69 121/2 18 27 550 23 32 43 361/421/2 52 Barciays (°536°) (285) 300 23 32 43 500 427 32 (285) 300 14 25% 25% 26 31% 33 (285) 300 14 25% 25% 26 31% 33 (284) 260 17% 20 23% 11 17% 19 (284) 280 8 13 14% 22% 30 31% (284) 180 15% 25% 24 13 16 18 Sainsbury 390 20 36% 43% 7% 17 24% (*404) 420 7% 21% 26% 25 32 38% 5hell frams. 650 50 60% 67 3 15 19 (*684) 700 14 28 37% 19% 34% 34% 34% 5henbouse 200 18% 26% 26% 3 7% 11 (*216) 220 6 13 17% 12% 17 21 (*264.) 280 8 13 14½ 22½ 30 31½ Docume 180 19½ 28½ 24 13 16 18 (*185.) 200 7 12½ 16½ 26 26½ 31½ Hilledome 140 23 26 28% 3% 5% 6 (***)55) 150 10% 14 17 11% 13% 14% Lourbe 130 10 16 18 11 15 18 (***)30) 140 6 11% 14% 17 21 24% Scot Power 330 33 367k 41 137k 1774 20% (253) 360 1874 22 267k 267k 32 367k 58835 110 14 187k 18 37k 5 67k (7179) 120 77k 167k 13 7fk 9fk 11k Forts 220 211k 25 30 9 13 167k (235) 240 12 151k 207k 207k 25 277k

(*1044) 1050 44 68 81% 68% 82 95 158 200 28% 36 32% 6 7% 11 (*219) 220 14 18% 21% 15 17 21 Ang Mov Feb Ang Hov Feb 460 29% 51 84 23 42 50% 500 14 24% 47 48 65% 73% 390 19% 29 38 19% 27% 30 420 8 17% 26% 43% 48% 50 Tomkina (*228 j Welkooga (°601) Option ETIR 380 15 24 31% 12 21 24% (*382) 380 4% 11% 18% 31% 33% 42% 8% 11% 18% 31% 33% 42% 8% 12% 22% 25% 13 19 25 (*387) 28 42% 8% 13 19 25 (*387) 28 42% 8% 13 12 23% 24% (*423) 460 4 13% 22 41 49% 50 Rule-Ruyco 180 111/2 19 23 8 14½ 17 (182) 200 4 11 14½ 21½ 27 29½

 Underlying security price. Premiums shown are besed on closing offer prices.
 June 92 Total contracts: 33,385 Cells: 15,988 Puls: 17,417 FT GOLD MINES INDEX

Jum % chy Jum Jum Year Grant dir 172 week 21 en day 26 17 ago yield % High Low 2021.36 +8.7 2013.76 2014.22 1737.72 1.89 2397.40 1522.66 m Regional Indices Africa (16)

LONDON EQUITIES

RISES AND FALLS YESTERDAY			
	Réses	Falls	Same
British Runds	40	15	17
Other Fixed Interest	6	6	3
Mineral Extraction	87	34	78
General Manufacturers	132	129	399
Consumer Goods	30	57	105
Services	82	104	322
Utilities	13	23	10
Financials	101	88	184
Investment Trusts	96	57	316
Others	31	64	40
Totale	620	577	1473

Financials	101	22 88	184
Investment Trusts	98	57	316
Others	31	64	40
Totals	620	577	1473
Detail based on those companies listed on the London Share Sen	vice.		
TRADITIONAL OPTIONS			

LONDON RECENT ISSUES: EQUITIES

55L(8)	ATT.										
orice	peid	CED	19	94		price		Net	Div.	Grs	P/E
P		(Em.)	High	Low	Stock	_p	+/-	dv.	COV.	yld	ne
§120	F.P.	69.7	123	11512	Aero, Hamble	122		W3.74	26	3.8	12.
161	F.P.	46,4			Arney	168		LN1.08	0.8	5.3	30.
	F.P.				Argent	262		_	_	-	
	F.P.			100	Automotive Preca	106			0.8	4.7	35
	F.P.	31.9			Ballie Gard Shn C	103	+2			_	
	F.P.	30.5			Brewin Dolphin	148	-	L5.8	2.3	4.9	10.
	F.P.			27	CAMAS	72	+2	uN3.75		6.5	
_		104.9			CLS	105	112	-	U.,	-	٠.,
					Cassell	168		W3.9		29	113
	F.P.	123						110-2	-	23	410
	F.P.				Chime Comms.	3412					
	F.P.				Denby	140	_	W3.1	28	2.5	13.
-	F.P.	77.3		90	Reming Indian		+2	-	-	-	
-		7.78			Do Warrants	46		-	-	-	
225	F.P.	108.3	233	225	Intermediate	232		LN9.9	21	53	8.
-	F.P.	68.2	96	94	Jeon Fry Euro	96	+1	b5.2	-	6.6	
_	F.P.	_	77	65	JF Fi Japan Wits	66	-1	-	_	-	
	F.P.	4,20		5	Kays Food	514		-	-	-	
	F.P.	163.4			 London Clubs	231	+1	W11.92	1.6	6.5	117
	F.P.	45.4		98	Nightkeight	99		R3.3B	20	4.3	13.
	FP.	34.4		12512	Norcor	125		W4.56		4.5	10.

		14.0 32		سے ہیں۔	P 1	40		_		
-	F.P. 6	102 44	43 Do	Wrts		43	-	-	-	-
100	F.P. 2	24.8 99	98 Shi	res HY S	mar C	99	-	_	-	-
		3.9 113	108 Spc	argo Core	3	111	L1.0	1.6	1.8	43.8
		58.8 100	98 TR	Euro G⊯	th C	98	-	-	-	-
100		3.5 100	DIA TR	Prop Inv	C	913	_	-	-	-
§108		15.4 120	108 UP			120	W3.67	2.7	3.8	10.3
RIGI	пз о	FFERS	•							
Issue	Amount							Clos		+01-
prica	peid	Renun.	19					prk		
_P	_ up	d etta	High	LOW	Stock			<u> </u>		
50	NEI .	5/7	6pm	5pm	Britton			5 ¹ 2F	ж	_12
2	No	25/7	4pm	*om	#Corp.	Serviçes		4p	m	_
180	Ni	20/7	23pm	3cm	Dixon 8			300	11	
240	N	29/7	65om	30pm	Eidos			650		+15
	Na.	17/8	235pm	160pm	Euro-Di	aney		180;		-25
265	NI	14/7	85pm	3 ¹ 2pm	Eurotun	inel "		10p	æ	
425	Na	5/7	35pm	5om	Evans I	loishaw		501	Tì	-6
425	NE	1/8	68pm	67pm	Feber F			6 9 p	m	
105	N	20/7	2pm	4pm	Higgs &	. Hü		140	П	
205	N	18/7	28om	3pm	McAlph	10 (A) est		3pr		
100	Nii	25/7	11pm	1pm	NSM			100	m	-1
9	N	3/8	3 _L pm	Augra	Paramo	unt		ξp	an .	
9 5	NE.	21/7	9pm	6pm	Standar	rd Phot		6pr	m.	
_=										

June 22 June 21 June 20 June 17 June 16 Yr ago "High "Lo											
Ordinary Shere	2811.6	2295.9	2316.1	2373.0	2383.4	2275.8	2713.6	2285.9			
Ord, div. yield	4.54	4.97	4.33	4.26	4.24	4.07	4.37	3.43			
Earn. yld. % fud	5.78	5.61	5.62	5.73	5.70	4.82	5.82	3.82			
P/E natio net	18.41	18.37	18,34	18.64	18.73	26,57	33.43	18.34			
P/E ratio nii	19.15	19.05	19.00	19.31	19.40	24.60	30.80	19.00			
For 1994, Ordinary	Share Inde	dinge co	mobiles:	Non 2713J	302/94	low 49.4	26/6/40				

Open 9.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low 2291.9 2309.1 2313.2 2304.5 2304.3 2306.2 2305.5 2306.0 2309.2 2313.9 2291.9 June 22 June 21 June 20 June 17 June 16 Yr ago 20,249 21,724 24,886 31,307 - 926.4 856.5 1455.1 - 23,827 25,888 34,457 1373.3

2976.09 +0.3 2987.91 2915.79 2338.86 4.44 3440.80 1902.23 2574.11 -1.8 2522.35 2624.82 1990.25 2.03 3013.89 1982.18 1670.38 +1.5 1643.54 1639.43 1528.38 0.82 2688.65 1383.00 SEAC bargains Equity turnover (2m)† Equity bargains† Shares traded (mi)†

+1.0 1980.58 1983.62 1990.18 1958.70 3.39 1.20 80.001 16.27 1128.18 +0.7 1903.65 1915.48 1942.88 1790.60 3.95 4.75 28.09 30.95 985.93 +1.2 1146.75 1155.45 1154.43 1056.40 3.29 4.50 28.67 15.62 900.79 +2.3 1790.10 1791.12 1812.76 1655.70 3.99 4.15 30.79 33.33 855.25 +0.7 2315.72 2330.18 2371.95 2213.20 3.98 4.12 31.21 45.97 1024.95 +1.0 1896.67 1909.30 1659.36 1899.67 1899.67 1909.30 1659.36 1899.67 1899.67 1909.30 1659.36 1899.67 1909.30 1659.36 1899.67 1909.30 1659.36 1809.67 1909.36 1659.36 1809.67 1909.36 1809 20 GEN MANNFACTURES(28):
21 Building & Construction(52):
22 Building Mettis & Mercins(31):
23 Chemicals(21):
24 Diversible Industrials(16):
25 Electronic & Elect Equip(54):
26 Engineering(71):
27 Engineering, Verhicles(12):
28 Printing, Paper & Poly(28):
29 Textilias & Apparel(29):
20 Constructions See 1780.07 1701.52 4.56 4.41 4.02 4.52 3.68 3.11 4.63 6.43 30 CONSUMER GOODS(96) 31 Braweries(17)
32 Spirits, Wines & Ciders(10)
33 Food Manufacturers(23)
34 Household Goods(13) 2140.52 2153.12 2172.26 2031.80 40.1 2748.36 2774.23 2801.83 2814.10 40.1 2117.76 2146.75 2184.56 2278.70 -0.4 2394.17 2409.77 2436.73 2198.60 -0.1 1644.87 1649.47 1687.53 1708.00 -1.5 2793.12 2809.77 2875.92 2819.70 -0.3 3284.33 3384.02 3405.97 3831.50 36 Health Care(20) 37 Pharmaceuticals(38 Tobacco(1) 3275.94 -0.3 3284_33 3884.02 3408.97 3831.50 8.43 10.40 10.98 102.35 728.49 +0.4 1904.73 1918.22 1948.85 1819.20 3.18 8.13 18.58 28.83 832.52 +0.4 2720.61 2744.97 2758.56 2590.10 3.29 8.38 18.45 37.24 523.33 +0.3 2097.78 2098.65 2128.05 1861.60 3.49 4.84 25.23 19.42 1018.35 +0.1 2851.47 2898.10 2933.82 2998.70 2.27 5.20 22.50 37.31 955.46 +0.4 1642.91 1659.25 1688.91 1965.40 3.85 82.91 18.21 52.60 591.76 +0.7 1841.23 1642.00 1864.72 1504.80 3.10 8.30 19.77 25.01 878.01 +1.0 1504.83 1523.25 1549.02 1558.70 2.70 8.19 19.04 15.78 976.88 +0.6 2210.78 2213.39 2257.54 2076.30 3.77 5.27 21.00 31.85 855.94 +0.6 1171.84 1180.20 1185.57 1232.80 4.05 2.31 80.00 11.00 1008.38 38 1006CO(1)
40 SERVICES(22)
41 Distributors(31)
42 Leleure & Hotels(24)
43 Medic(39)
44 Ferbillers, Food(17)
45 Retaillers, General(45)
48 Support Services(40)
48 Transport(16)
51 Other Services & Busi g f f 1181.71 2151.62 +0.8 2135.53 2147.72 2183.25 2144.50 4.84 8.87 14.14 31.29 816.53 2061.79 -2061.76 2087.51 2121.39 1742.80 4.24 11.81 10.26 30.07 846.00 1757.05 +3.5 1896.28 1741.18 1767.01 1891.80 6.82 ‡ 53.43 802.88 1891.27 8-0.7 1896.14 1890.01 1945.13 2036.30 4.32 8.12 14.88 8.50 799.86 1833.61 -0.3 1837.92 1855.49 1709.95 1841.40 5.95 14.29 7.67 52.41 814.94 60 UTILITIES(36) 82 Electricity(17) 64 Gas Distribution(2) 68 Water(13) +0.4 1597.26 1609.99 1636.07 1549.74 3.98 6.36 16.95 25.62 1121.61 69 NON-FINANCIAL S(695) 1604.35 70 FINANCIALS(194) 71 Benks(10) 73 Insurence(17) 74 Life Assurence(6)

75 Merchant Banks(6) 77 Other Financial(24) 78 Property(41) 2866.59 +0.4 2856.32 2892.84 2744.36 2350.40 2.25 1.92 52.60 29.04 881.38 BO INVESTIMENT TRUSTS(123) +0.5 1478.03 1491.12 1515.01 1430.49 3.97 8.58 18.14 25.00 1156.01

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Love/da
FT-SE 100 FT-SE MM 250 FT-SE-A 350	2934.1 3457.2 1481.9	2954.1 3466.1 1490.8	2959.0 3469.6 1492.8	2948.7 3480.0 1487.9	2949,0 3457,9 1487,7	2951.4 3457.0 1488.6	2951.7 3457.4 1498.7	2953.5 3458.4 1489.5	2957.0 3460.2 1491.1	2960.4 3469.9 1493.1	2934.1 3458.8 1481.9
Time of FT-SE 100 High											

FT-SE Actuaries 350 industry passets												
	Open	9.00	15.00	11.00	12.00	13.00	14.00	15.00	18.10	Close	Previous	Change
Bidg & Chetron Pharmacauticis Water Sanks	1080.5 2744.4 1826.7 2734.8	1088.4 2784.7 1638.6 2740.8	1643.9	2753.3 1634.3	2749,0 1633,4	2749.6 1881.7	1092.2 2725.2 1631.8 2744.0	2722.9 1632.6	2719.6 1630.1	2725.8 1630.4	2768.6 1634.8	+22.2 -40.8 -4.4 +15.3

220 15 20% 28 13% 16% 16% 246 7 12 15% 27 25% 32 8 600 43 85% 70 37 50% 56% 650 21 65% 70 38 50% 56% 650 21 65% 70 38 50% 56%

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FINANCIAL TIMES THURSDAY JUNE 23 1994 33 FT MANAGED FUNDS SERVICE /line Unit Trust Prices are available over the telephone. Cell the FT Cityline Help Desk on (971) 873 4378 for more details. Certitary Life Pie

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CURRENCIES AND MONEY

MARKETS REPORT

Dollar above lows

The dollar bounced off its postwar lows yesterday as markets hoped comments from US Treasury secretary Mr Lloyd Bentsen would give an indica-tion of central bank intentions.

writes Motoko Rich.
As the US Federal Reserve chairman Mr Alan Greenspan refrained from commenting directly on the dollar in his testimony to the House budget committee, the dollar held above the Y100 level, closing in London at Y100.695 from Y101.225. Against the D-Mark, it closed in London at DM1.6006 down from DM1.6009. Sterling turned in a gloomy performance, shadowing the dollar's downward trend against the D-Mark and responding negatively to the publication of the minutes of the May 4 meeting between the UK chancellor and the Bank of

■ The dollar was fluctuating close to its post-1945 lows, around Y100.70, after Mr Bentsen said he was "concerned by recent movements in the exchange markets" and that the G7 partners were "pre-pared to act as appropriate".

After overnight intervention from the Bank of Japan, the dollar had retrieved some of its Tuesday losses. The markets were hesitant to drive the dollar back down as they watched Mr Greenspan's testimony for clues about the Fed's intervention plans. The US currency was not on the agenda however, and the Fed chairman kept largely to his script.

The dollar skipped up when Mr Greenspan said he and Mr Bentsen were "following currency movements". Although subdued, he warned of a future re-emergence of inflation.

Publication of the Fed's beige book, which helps the Fed evaluate the state of the US economy, gave the dollar a boost. It showed the US economy still expanding but at an easier pace.
Analysts predicted the dol-

lar's bounce would not hold, however. "I do not think there has been any convincing strength," said Mr Brian Hilliard, economist at SGST. "I would expect the markets to

have another go at the dollar

CROSS RATES AND DERIVATIVES

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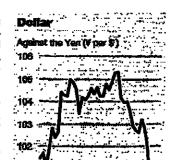
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to test the resolve of the cen tral banks but I do think a haif per cent rise from the Fed would be neither here nor

The US currency's recent slide against the ven has been helped by strength in the Japanese currency. Ms Jane Edwards, economist at Lehman Brothers, said good export figures and worries that a vote of no-confidence in prime minister Tsutomu Hata's govern-ment will set back trade talks between the US and Japan have driven the yen up against

month lows against the D-Mark after the minutes of the May 4 meeting between UK chancellor Kenneth Clarke and Bank of England Governor Eddie George revealed a neutral stance on UK interest rate

Although both Mr Clarke and Mr George appeared to have abandoned their "bias towards easing" rates, the min-utes showed that an interest rate hike is not imminent.

The pound was hit by traders who were hoping for a sear-term rise. Sterling closed in London at DM2.4579 against the D-Mark, from DM2.4612. Against the dollar, it ended in London at \$1.5356, from \$1.5374. Analysts said that while the minutes helped push the

pound down, it was mainly

trading on the dollar's weak-

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"The pound's performance against the D-Mark is just a reflection of the dollar's fall against the D-Mark," said Mr Mark Geddes, economist at Midland Global Markets.

The Bank of England provided the UK money markets with £340m liquidity at established interest rates and late assistance of £90m after forecasting a shortage of £600m. Overnight lending rates traded between 6 and 4% per cent.

the fragile dollar, the D-Mark ended little changed against most of the European crosses. Against the French franc, it closed in London at FFr3.422 from FFr3.418, against the Bel-gian franc it ended in London at BFr20.58 from BFr20.59 and London at L983.3 from L987.4.

The Bundesbank's five basis point cut in the repo rate to 5.00 per cent was largely expec-ted and had little effect on the markets.

call money German remained at five per cent, largely unchanged from Tuesday's levels.

■ The futures market was characterised by volatility as rumours of a no-confidence vote in Hata's government in Japan sparked off selling of yen and helped the long end of the markets in bunds, gilts and futures contracts.

"We have seen a dramatic change in what has been a bearish market," said Mr Richard Phillips, broker at GNI. The December Euromark contract traded 44,000 lots and rose to 94.87 from 94.78, discounting the short-term interst rate at 5.13 per cent.

The short term sterling con-tract for December was trading "Short-sterling has seen a reathe longer end of the yield and the gilts market," said Mr Phillips. The December contract closed at 93.74 from 93.68.

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404.5 212.1 243.3 85.24 201.2 8.465 74.29 191.5 80.49 100. 173.2 98.94 204.6 96.10 153.2 1323 159.7

Open -1.0044 1.0025

23.35 12.24 14.04 4.805 11.61 0.489 4.288 11.06 4.846 5.772 10 5.711 11.81 5.547 7.639 78.39 9.219

Latest 0.9987 1.0060

1.5310 1.5312 1.5300

4,089 2,144 2,459 0,841 2,033 0,951 1,936 0,814 1,011 1,751 1 2,088 0,971 1,346 13,38 1,614

SE YEN FUTURES (MAA) Yen 12.5 per Yen 100

Change -0.0077 -0.0074

1.977 1.037 1.189 0.497 0.983 0.041 0.363 0.393 0.489 0.847 0.484 1 0.470 0.651 6.468

High 1,0055 1,0068

Low 0.9938 1.0025

1.5308 1.5290 1.5300

51,031 1,149

59,584 2,965

4,209 2,207 2,531 0,866 2,093 0,073 1,993 0,838 1,041 1,803 1,029 2,129 1 1,386 13,777 1,662

POUND	SPO	T FORV	VARD #	KGA/NST	THE POUND							
Jun 22		Closing mid-point	Change on day	Bid/offer apread	Day's Mid high low	One mo	enth %PA	Three so Rate	onths %PA	One y		Bank of Eng. Index
Europe						•						
Austria	(Sch)	17.2871	-0.031	787 - 954	17.3509 17.2529	17.2833	0.3	172777		-		114,6
Belglum	(BFr)	50.5868		449 - 266	50.7800 50.5020	50,6058	-0.5	50.6506				116.0
Dermark	įDKή	9,6471	-0.0194	403 - 538	9.6877 9.8263	9.6548	-1.0	9.0065	-0.9	9.6627	-0.4	
Finland	(FM)	8.1732	-0.0173	637 - 827	8.2140 8.1540	-	-	-	-	•	· _ =	Q.18
France	(FFr)	8.4113	-0.001	068 - 157	8.4244 8.3843	8,4153	-0.6			8,4087		
Germany	(DM)	2,4579		586 - 591	2,4717 2,4509	2.4577	0.1	2,4589	0.2	2.4376	0.8	124.8
Greece	(D)	371.385		058 - 712	372,847 370,638	-	-	-	-			
Ireland	(02)	1,0175	+0.0002	165 - 184	1.0225 1.0143	1.0179				1,0198		
Italy	(1)	2417.04		487 - 920	2431,68 2412,52	2424,04				2487.84		
Liptembourg	(LPI)	50.5858		449 - 266	50.7800 50.5020		-0.5			50.5508		116.0
Netherlands	(FI)	2,7538		523 - 533	2,7628 2,7487	2,7536	0.1	2,7545		2,7324		
Norway	(NKI)	10.6812		769 - 855	10.7220 10.6648		0.6			10.6793		_
Portugal	(Es)	254.219		076 - 362	255.496 253.678		-4.6				·	_
Spain	(Pta)	204,827		504 - 749	205.379 204.121	205.172	-32					
Sweden	(SKI)	11.5115		026 - 203	11,8704 11,7887	11.8345	-23			11.9675		
Switzerland	(SFr)	2.0684	-0.0063	671 - 695	2,0784 2,0612	2.0672	0.7	2.0641		2.0401	1.4	120.2 78.6
UK	(2)	•							·			
Ecu	-	1.2812		806 - 818	1.2844 1.2784	1.2823	-1.0	1.2783	0.9	1.2849	-0.3	-
SDR†	-	0.934967				-	-	-		-	-	
Americas		4 5555										
Argentine	(Pesc)	1.5328		323 - 332	1.5392 1.5291	-	-	-	-	-	-	-
Smzii Ossada	(C)	3764.94		394 - 593	3766.00 3685.00	-		A - 444	-1.7	2.1699	-1.9	85.9
Canada	(C\$)	2.1292		282 - 301	21371 21247	2.1315	-1.3	2.1382	-1.7	2,1088	-1.3	-
Mendico (Ner USA	v Pesc) (S)	5.1865 1.5356		813 - 977 352 - 360	5.2037 5.1782 1.5423 1.5320	1.5349	0.5	1.5337	0.5	1.5281	0.5	63.9
Pacific/Middle			-0.0010	332 - 360	1,0000 1,0000	1.3348	0.5	1,0001	4.5	1,0001	•	
Australia	(AS)	2.0647	-0.0035	634 - 650	2.0702 2.0619	2.084	0.4	2 0824	0.4	2.0814	0.2	-
Hong Kong	OKS	11,8682		643 - 721	11.9170 11.8416		0.8			11.8831		_
india	(Rs)	48.1679		515 - 843	48.3740 48.0590					-		_
Japan	m	154.628		549 - 706	156,140 154,250	154,253	29	153,418	3.1	148.303	3.4	188.9
Malayale	(MS)	3.9734	-0.0162	716 - 752	3.9992 3.9648		-	-	-	-	-	_
New Zealand	(NZS)	2.5837		819 - 854	2,5966 2,5796	2.583	0.3	2.5888	-0.4	2.5931	-0.4	-
Philippines	(Pesc)	41.4513		434 - 792		-	-	-	-	-	-	-
Saudi Arabia	(SFQ	5.7502		575 - 6 08	5.7841 5.7459	-	-	-	-		-	_
Singapore	(55)	2.3474		464 - 484	23551 28417	-	-	-		-	-	_
S Africa (Com.		5.8065		012 - 118	5.6379 5.5439	-	-			-	-	
S Africa (Fin.)	₽9	7.2558		385 - 730	7.2951 7.1974	-	-		-	-	-	_
South Korea Talasan	(Won)	1237.54		691 - 817	1244.84 1234.95	-	-	-	-	-	-	_
1700000		41 4004	_11.15365	775 - 412	A1 A0R0 A1 999A	_	-	-	_	_	_	_

DOLLAF	SPO	TEOR	WARD	AGAINST		CLLA	2						
Jun 22		Closing mid-paint	Change on day	Bid/offer spread	Dây's Ngh	mid low	One mo	soth %PA	Three m Pate	onthe %PA	One y	MPA	LP Morger Index
Europe		-											
Austria	(Sch)	11.2576		550 - 600	11.2835		11.262		11.27		11.2075		108.9
Belglum	(BFi)	32,9420		240 - 600	33.0000		32,9695		33.027		33.127		105.3
Denmark	(DK)	6.2828		795 - 850		8.2721	5.2913		6.3103		6.3548		104.7
Finland	(FM)	5.3225		177 - 273	5.3398	5.3150	5.3257		5.3365		5,405		75.9
France	冊	5.A775		780 - 790	5.4810		5,4826		5.4914		5.449		105.8 108.2
Germany Greece	(0)	1.8006		002 - 010		1.5945	1,6014		1.602		1,5952 246,35		68.9
erece reland	(D)	241.850 1.5083		700 - 000 082 - 103	242,300	1,5048	243.2 1.5079		244.05 1.5052		1.4968		00.9
taly	# 2	1574.00		300 - 500	1581.00		1579.25				1628		77.3
Locambourg	ᅊ	32,9420		240 - 500	33,0000		13/19/23 32_9895		33.027		33,127		105.3
Vetherlands	(CF)	1.7933		928 - 938		1.7884	1,7943		1,7951		1.7881		105.1
Vorwey	ENEKA)	6.9557		547 - 587		6.9366	6.9602		6.9747		6.8747		98.4
Portugal	E47)	165.550		500 - 600	168.200		187.206				173.9		93.3
Portugas Sostin		133.255		210 - 300	133,500		133.67						79.9
Sweden	(SK)	7.6918		210 - 300 880 - 955	7.7249	7.8842	7,7098		7.7429		7.8908		20.5
witzerland				465 - 474					1.3459		1,3351		105.9
	(SF ₁)	1.3470				1.3435	1.3472						
K.	(2)	1.5356		352 - 360	1.5423	1.5320	1.5349				1.5281		86.3
Cu .	_	1.1986	+0.0006	963 - 988	1.2035	1.1966	1,1966	1.7	1.1944		1.208	-0.8	-
SOR†	-	1.43798	-	-	-	-	-	-	•	•	•		-
Americas											•		
ingentine.	(Peac)	0.9982		961 - 982		0.9980	-				•		-
Stazii	(C)	2451.77		178 - 178	2451.81			-		-			82.2
Canada	_(CS)	1.3866		863 - 858		1.3852	1.3887				1,4201		62.2
	v Peso)	3.3775	+0.005	750 - 800	3.3800	3.3730	3.3785	-0.4	3.3803	-0.3	3.3877	-0.3	
ISA	_ (5)		-	-	-	-	-	-		-			98.2
ecific/Middle				4									
ustralia	(A\$)	1.3446		441 - 450	1.3466	1.3398	1.3449				1.3488		88.7
long Kong	(HICS)	7.7287		282 - 292		7,7275	7.7282		7.7307		7.7449	-02	-
ndia.	(Ps)	31.3675		650 - 700	31,3700		31,4475					: .:	
apen	സ	100.885		670 - 720	101.350		100.5						
falaysia.	(MS)	2.5875		870 - 880	2.5995		2.58				2,6075		-
lew Zealand	(NZS)	1.6825		818 - 832	1,6871	1,6764	1,6843	-1.3	1.6856	-1.5	1.7100	-1,7	_
hilippines	(Pesc)	27.0000		000 - 000	27.2000			•	·			·	-
iaudi Arabia	(SPI)	3.7505		503 - 506		3,7503	3.7511						-
Singapore	(33)	1.5287		284 - 289	1.5298	1.5257	1.5279						-
Africa (Com.		3.6510		485 - 535	3.6585		3.8685					-3.3	-
Africa (Fig.)	円	4.7250		150 - 350		4.6950	4.7587						-
Couth Korea	(Won)	805.900	-1.35	700 - 100	807.200		808.9	-4.5	812.4	-3.2	830.9	-3.1	-
alwan	(12)	26.9663		525 - 800	27.0280	28.9525	26,9883	-0.9	27.026	-0.9		-	-
halland	(30)	25.0300	-0.04	200 - 400	25,0600	25 0200	25 1025	-35	25.2	-32	26.71	-27	_

					_
Jun 22	Ecu cen. rates	Rate against Exx	Change on day	% +/- from cen, rate	% spread y weekest
Netherlands	2,19672	2,15556	-0.00115	-1.87	5.76
brokend.	0.808628	0.795949	+0.00172	-1.57	5.43
Belgium	40.2123	39,6013	-0.0085	-1.52	5.38
Germeny	1.94964	1.92345	-0.00086	-1.34	5.19
France	0.53883	6.57770	+0.00414	0.59	3.16
Decemberk	7.43679	7.54963	-0,00197	1.52	2.23
Portugal	192.854	199.097	-0,477	3.24	0.52
Spein	154,250	180.075	+0.174	3.78	0.00
•					
NON ERM ME	MBER\$				
Greece	264,513	290.632	-0.513	9.87	-5.55
Itely	1793.19	1893.11	-4.54	5.57	-1.70
UK	0.785749	0.782185	+0.001683	-0.58	4.38
ECU Contral rates				reak currency. D	IVERTIFICO STA
ratio between tw for a currency, as Eco costol rate.	o apreeds: the nd the rendetu	percentage diffe a permitted per	rence between centage deviation	in of the currenc	A,9 tompet to
ratio between twifer a currency, at Eco Control rate. (17/9/52) Starting III PRILADER.	o apreads: the nd the repokeu and hallon Lin	percentage differs in permitted per a suspended from \$ OPTIONS !	rence between centage deviations rs ERAL Adjusts	n of the correct sent calculated it s per pound)	y's market re
ratio between twifer a currency, at Eco control rate. (17/9/52) Swring th PRELADER.	o spreads: the nd the mandatus and Italian Lin PHIA SE S/	percentage differs permitted per a suspended from S OPTIONS !	rence between pentage deviations ERAL Adjusto C31,250 (cent	n of the custons sent calculated i s per pound)	y's market rei
ratio between tw for a Currency, as Econ Control rate. (17/9/32) Swifing at PRILADER. Strike Price	o aproads: the nd the resolution and hallon Lin PHIA SE EX Jul	percentage differs permitted per a suspended from S. GPTTONS (— GALLS Aug	rence between centage deviation in EPIM. Adjusto C31,250 (cent) Sep	n of the current next calculated i a per pound) 	y's market rai by the Financi PUTS —— Aug
ratio between twifer is currency, at Eco Costeel seeing (17/4/22) Seeing HE PRILADER Strike Price 1,450	o aproads: the sandatus and hallon Lin PHIA SE El Jul 3821	percentage differs permitted permitted permitted permitted permitted permitted from a suspended from S OPTHONS: — CALLS Aug. 8.21	rence between contage deviations ERAL Adjusto C31,250 (cent) Sup Sup 8,33	n of the current ment calculated i s per pound) 	y's market rai by the Financi PUTS ————————————————————————————————————
ratio between twifer a currency, as Eco Constraints. (17/8/8/2) Sterling Bi PSELADER. Strike Prices 1,450 1,475	o apreeds: the repolation of the repolation und hallow United St.	percentage differs permitted per a suspended from the common service s	rence between contage deviations ERM. Adjuste C31,250 (cents ————————————————————————————————————	on of the correct sent calculated it is per pound) 	y's market rei
ratio between twifer in Currency, at Econocacion and, (17/4/42) Swring in PRILADER. Strike Prica 1,450 1,475 1,500	spreads: the repotent to the r	percentage differs permitted per a suspended from S OFTIONS ! — CALLS	rence between contage deviations ERM. Adjusto E31,250 (cents ESS) Supp. 8.33 8.32 4.51	on of the correct sent calculated it is per pound) Jul 0.04 0.30	y's meries rai by the Financi PUTS ————————————————————————————————————
ratio between twifer a Currency, at Econ coaster and. (17/9/92) Swring III PRILADES. Strike Price 1.450 1.450 1.525	preeds: the repotent up of helian Lin PHIA SE 5/ Jul 8.21 5.84 3.60 1.84	percentage differ in permitted per in suspended from \$ CFTICHS !	reince between contage deviation IRML Adjuste IRML Adjuste IRML Supp. 8.33 8.32 4.51 3.00	n of the correct ment calculated it is per pound) Jul 0.04 0.30 0.96	y's merket rei
ratio between twifer in Currency, at four in Currency, at four cases and (17/4/32) Swring in PRILADER. Strike Price 1,450 1,475 1,500	spreads: the repotent to the r	percentage differs permitted per a suspended from S OFTIONS ! — CALLS	rence between contage deviations ERM. Adjusto E31,250 (cents ESS) Supp. 8.33 8.32 4.51	n of the correct ment calculated it is per pound) 	y's meries rai by the Financi PUTS ————————————————————————————————————

								UK INTERE	ST RAT	ES				
a Theres	HINOM I	TUROMARI		S (LIFFE)	DM1m pol	ints of 1009	6	LONDON MO	NEY R	ATES				
	Open	Sett price	Change	High	Low	Est. vol	Open int.	Jun 22	Over-	7 days	One	Three	Six	One
Sep	95.05	95.09	+0.05	95,10	95.05	30890	193463	l	night	notice	month.	months.	months	year
Dec	94,78	94.87	+0.09	94.90	94.78	43949	201671	Interbenk Sterling	6 - 43 <u>L</u>	54 - 4社	5 - 4%	5½ - 5½	5½ - 5¾	62 - 62
Mar	94.46	94.57	+0.11	94.59	94.46	29961	194516	Steding CDs		•	5 - 41	52 - 54	5분 - 5초	
Juni .	94.06	94.17	+0.12	94.23	94.05	11714	103939	Treasury Ests		-	412 - 44	쟾-枢		
A THRE	MONTH.	FUROLERA	WT.RATE	FUTURE	8 (LIFFE) L	.1000m poin	its of 100%	Genk Bills			44-42	5 - 4월.	54 - 54	·
	Open	Sett price	Change	High	Low	Est. vol	Open Int.	Local authority depa.	5%,-5%, 5%,-4%,	43 - 43 43 - 43	5 - 4接	5 ¹ e - 5 ¹ k	5% - 5%	6 <u>1.</u> - 51
Sep '	91.27	91,44	+0.18	91.58	91.27	10372	45183	Discount Mariest depo	24.44	~16 - ~16	-	_	_	_
Dec	91.00	91.14	+0.18	91.25	90.99	4225	47089	UK clearing bank bas	- 1	م بعد ملع م	ert Imm Fr	house A 19	104	
Mer	90.53	90.70	+0.23	90.78	90.53	2364	12822	OK CHEERING DEEK OF	-		1-3	3-6	4-9	9-12
Jun	90.01	90.18	+0.21	90.16	90.01	1221	9083	1		Up to 1	month	months.	months	months
	E MORTH	TURO SIME	S FRANC		(UFFE) S	Frim points	of 100%	<u> </u>		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,				
	Open	Sett price	Change	High	Low	Est. vol	Open Int.	Certs of Tax dep. (£1	00,000) .e.m.m	ilg Jane Dannel	4 10 - 10 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Sk trookise	84	312
Sep	95.56	95.62	+0.10	95.65	95.56	5252	31843	Same Street, and others	und & STARne	FOOD food	ONDA SOOL Ex	oort Floance.	هاء جي ويتطلق	May 31,
Dec	95.30	95.37	+0.11	95,40	95.30	1903	9903	4004 A for ou		994 to Jul 25	L 1994 S-N		.47cc. Rolem	ace mie for
Mar	94.99	95.06	+0.13	95.07	94.99	859	6391	period Apr 30, 1994 to	MAY 51, 1994,	SCHEMES IV	* 4 03334bc	PRINCES INCO	-	0-200 not
Jun	94.62	94.67	+0.12	94.67	94.62	151	1043	June 1, 1994						
	E MONTH	CU FUTUR		Eculm po	oints of 100		1010						-	
	Open	Sett price	Change	High	Low	Est. vol	Open int.	E THREE MONTH	STEPLING	emukiti	CUFFA 25	00.000 ook	ulas caf 100%	
Sep	93.95	93.99	+0.06	94.00	98.95	1348	12175	- 114 COULT						
Dec	93.64	98,71	+0.09	93.71	93.64	635	809B	Open	Sett price	Change	High	Low	Est. voi	Open Int
Mar	93.30	83.39	+0.11	83.40	93.30	362	3581	Seo 94,30	94.34	+0.04	94.37	94.29	10372	111821
-Jun	92.94	93.01	+0.08	93.00	92.94	140	226	Dec 93.70	98.74	+0.06	93.79	93.68	19197	151470
* LIFFE SA	ures traded o	ADT	. 0.00		96.07	140	220	Mar 92.95	93.01	+0.06	93.08	92.95	8559	63024
								Jun 92.30	92.35	+0.06	92.37	92.30	2039	48094
								Traded on APT. All Op	er interest Sco	and the pas	vious day			
								I I I I I I I I I I I I I I I I I I I	at betterfore offe					
	MONTH!	BURDIYOLL	UR (MAG) \$	im points	of 100%									
	Open	Lebest	Change	High	Low	Est. vol	Open Int.							
Sep	94.82	94.84	+0.02	94.85	94.81	129.854	443.026	E SHORT STEELH	ia opticii	\$ (UFFE) £	500,000 pa	ints of 1009	%	
Dec	94.07	94.11	+0.03	94.11	94.07	273.508	415.607	<u></u>		<u></u>			PLNS -	
						والانتاذات	413331	Strice					ruio -	
Mar	93.80	83.84	+0.03	93.85	93.80	134,929	291,148	Price S	_	ec i	Mar	Sep	Dec	Ma

					120.004	440,020							
94.07 93.80	94.11 93.84	+0.03	94,11	94.07	273,508	415,607	Strike		- CALLS -			- PUTS -	
4000	83.09	+0.03	93.85	93,80	134,929	291,148	Price	Sep	Dec	Mar	Şep	Dec	Mar
							9425	0.21	0.15	0.09	0,12		1.33
EASINY	88 I SPN-		1m per 100	_			9460	0.09	0.09	0.05	0.25		1.54
	SEE POIG	HERE (INDA) :	sim per 100	<u> </u>			9475	0.02	0.05	0.03	0.43	1.06	1.77
95.81	95.81	_	95.82	95,81	793	3,553	Est, vol. total, C	de 1693 Puls	8210, Previou	s day's open	Int., Calls	182944 Puts 1682	14
95.26	95.28	+0.01	95.29	95.26	4,710	24,222							
94.67	94.68	+0.03	84.68	94.67	472	8.443						•	
	41.00	TAKON	0-400	4-141	712	W-110							
Herest Sign. (are for previou	as day					i						
	-		cints of 100°	· ·				3	ASE LE	NDING.	RATE	<u> </u>	-
		LLS —			РІЛЗ —		l	_ _				~	
Jed	Aug		Jec Jul	Aug		Dec		. %		_	*		%
0.12	0.15		.18 0.03	_	0.10	0.31	Adem & Com			Lamie		* Rooburgha Guar	antes
0.02			.10 0.18			0.48	Affect Trust Ba	rk525		ank Limited .	6.25	Corporation Limit	
0.01	0.02		.06 0.42			0.89	AIB Bank			& Gen Bank		longer authorise	d as
			/s open int., C				OHerry Ansber	ner 5.25		leming & Co		a banking institut	
Strata H	PANC ADT	meneus can) SFr 1m pot	- A 100	PUBBIG 13710	ır	Bank of Barod	8				Royal Bk of Scot	
		AND PUT OF	ger im po	R0 UI 100			Bank of Cypru			s Mahon		OŞmiti & Wilms ı	
		<u>шь ——</u>			PUTS		Benk of Ireien			ank AG Zurici		TSB	
S	ap D	ec i	Whar S	lep qei	Dec	Mar	Bank of India			8 Bank	525	CUnited Blood Kun	
0.2	ස රා	21 O	22 Ô.	13	0.34	0.68	Benk of Scots			& Gen Inv B	K.525	Unity Trust Bank	
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rally end equity slide

Wall Street

US stocks ended a three-day slide yesterday morning as investors responded to a modest recovery by the dollar and a subsequent bond rally, writes Frank McGurty in New York. By 1 pm, the Dow Jones Industrial Average was 16.80

higher at 3,724.77, after dropping more than 103 points since last Friday morning. The more broadly based Standard & Poor's 500 was 1.88 better at 453.22 in moderate trad-In the secondary markets,

the American SE composite was up 1.52 at 433.39. The Nasdaq composite, badly hurt in the previous session by a sell-off in computer-related issues, recovered 3.77 to 712.56. The dollar again set the direction for stocks. Yesterday the tone was positive, as the US currency moved above Y100, a day after dropping below that mark for the first

The bond market concerned about the likelihood of an early move to higher interest rates to support the dollar, was relieved. Treasuries staged a solid rally after a long slump.

Meanwhile, investors were casting an eye toward Capitol Hill to glean hints about monetary policy from Mr Alan Greenspan's congressional tes-timony. The Federal Reserve chairman said that he had no fixed target for economic

His remarks coincided with the release of the Fed's Beige Book summary of economic

conditions which found a mod- to \$21% after agreeing to form eration in growth and no reason to be concerned about inflation.

A profits warning issued by Sun, the energy group, called attention again to the impact of higher rates on corporate earnings. After the group said that it expected to break even in the second quarter, its share price was marked down \$% to \$26%.

Tesoro Petroleum made a rare appearance on the NYSE's most active list after filing for an offering of new 5.35m common shares priced at \$10%. The stock added \$% to \$11% in heavy volume of nearly 1.2m

The previous session's three big losers stablised yesterday: Caterpillar gained \$% to \$102% after plunging \$4% a day earlier. But SG Warburg downgraded the issue, citing risks related to a strike being staged by the United Auto Workers. Quaker Oats limped \$% ahead to \$73%. Its share price went into a \$8¼ tailspin after Nestlé deflated investors' hopes that it would launch a takeover bid for the food

Lotus Development, whose profits warning had prompted Tuesday's flight from technology issues, dipped \$1/2 to \$361/2, adding to a 28 per cent decline in the previous session.

However, relative calm returned to the sector, and several leading stocks rebounded smartly. On the Big Board, Compaq climbed \$1 to \$32% and Micron Technology recovered \$1 to \$32%.

with AT & T Network Systems.

Canada

Toronto fielded a reaction in August gold on Comex, off US\$4.30 at US\$392.00 per ounce. Gold shares held back a fledgling recovery, and the TSE 300 composite index was 1.96 softer at 4,045.59 at noon in volume of 27.99m shares valued at

Declines led advances by 332 to 256, with 273 issues unchanged. Toronto's gold subindex fell by 2 per cent, while upward momentum was concentrated in financial services and forest products.

Placer Dome was off C\$1 at C\$30%, while American Barrick fell C\$1/4 to C\$33%. Active issues included Falconbridge, which traded at C\$17% in 5.2m shares after being listed yesterday at C\$18% in an initial public offering. The company said that poor nickel prices were to blame for its weak perfor-

mance.

São Paulo had improved 1.3 per cent by midsession, helped by the recovery of the dollar on the foreign exchange markets.

The Bovespa index was up 408 at 31,692 after an earlier high of 32,338. Turnover was

about Cr9L6bn (\$37.4m). Most of the activity was seen in major blue chips, with Telebras preferred up 4.2 per cent at Cr91.2, Electrobras preferred ahead 4.1 per cent and Vale do Silicon Graphics gained \$2% Rio Doce up 5.8 per cent.

S Africa eases on 'neutral' budget proposals

The budget had little effect on the country's financial markets, the initial reaction being fears that the budget might contain proposals that it was broadly "neutral". Among the proposals was a 5 percentage-point cut in corporation tax to 35 per cent.

Brokers reported that gold stocks were aided in the afternoon session by a further advance in the price of bullion. The overall index receded 15 to 5,706, industrials declined 11 to 6,583 and the gold shares index dipped 2 to 2,243.

FT-ACTUARIES WORLD INDICES

252.31

.139.98 .160.75

132,72

177.53 .338.65 .263.42 133.65

.184.04

-0.3 -1.2 -0.7 0.5 -1.6 -0.2 1.4 -0.6

Austria (17)... Belgium (37). Canada (106) Denmark (33)

Hong Kong (56) Ireland (14).....

Netherland (27).... New Zealand (14) Norway (23)

EUROPE (720).

Europe Ex. UK (515

Pacific Ex. Japan (281) World Ex. US (1853) World Ex. UK (1987)

Remgro, which had lost ground recently on lifting cigarette and alcohol taxes, improved 75 cents to R28.25.

Among gold issues, both Vaal Reefs and Kloof lost R1, to R56.75 and R429 respectively. De Beers relinquished R1.25 at R113.75 on rumours that negotiations with Russia concerning the sale of diamonds had been called off. Barlows finished 25 cents softer at R35.25.

<u>EM</u>	ERGING	Markets:	IFC WEE	KLY INVES	TABLE PRIC	e indice	8
			Dollar terms	3		ocal currency	/ terms
Market	No. of stocks	June 17 1994	% Change over week	% Change on Dec '93	June 17 1994	% Change over week	% Change on Dec '93
Latin America	(210)	612.05	-2.5	-5.9	-		
Argentina.	(25)	889.84	-4.0	-10.5	546,029.37	-4.0	-10.5
Brazil	(57)	264.44	-1.8	+13.6	834,084,608,2	+7.5	+720.8
Chale .	(25)	675.91	-0.2	+22.5	1,139.56	-0.4	+19.5
Colombia ¹	(11)	933.48	+2.7	+44.8	1,377.46	+2.1	+48.6
Mexico	(69)	841.66	-32	-16.4	1,222,46	-3.0	-9.4
Peru²	(11)	150.05	+0.2	+24.1	200.02	-0.1	+25.8
Venezuela ^a	(12)	549,82	-4.6	-7.1	2.152.51	-1.8	+51.4
Asia	(558)	250.51	+23	-13.9	•		
China*	(18)	94.35	-1.5	-36.8	103.21	-1.6	-37.1
South Koreas	(156)	126.47	-0.2	+7.0	133.53	-0.6	+6.4
Philippines	`ຕ ອ ່)	290.16	-21	-14.8	372.91	-3.2	-16.2
Taiwan, China	(90)	137,43	+3.9	+1.6	139.61	+3.8	+4.4
indis ⁷	(76)	135.81	+1.8	+16.6	150.19	+1.8	+16.6
Indonesia ^s	(37)	102.29	-1.3	-18.0	120,44	-1,2	-15.4
Malaysia	(105)	275.77	+4.0	-18.7	263,94	+3.9	-21.7
Pakistan ^a	(15)	379.80	+7.3	-2.2	527.69	+7.3	-0.1
Sri Lanka®	(5)	160.89	-6.9	-9.2	173.26	-7.0	-9.3
Thailand	(55)	385,63	-0.7	-19.3	385.55	-1.0	-20.2
Euro/Mid East	(125)	109,16	+7.9	-35.5			
Greece	(25)	211.43	+4.1	-7. 1	348.31	+1.1	-9.4
Hungary ⁿ	(5)	180.27	-0.5	+8.2	224.49	-1.5	+11.2
Jordan	(13)	161.09	-0.8	-2.7	232.30	-0.9	-3.0
Poland ^{ra}	(12)	520.12	-11.7	-36.4	745.79	+12.1	-32.5
Portugal	(25)	109.39	-1.8	-3.9	126,04	-5.2	-8.8
Turkey ^s	(40)	107.61	+20.7	-49.4	1,567.36	+16.2	+7.7
Zimbabwe™	(5)	279.27	+0.3	+38.2	328.98	+0.1	+54.0
Composite	(892)	313.23	+0.3	-11.9			

The Chinese equity market has been one of this year's disappointments, reflected in a 37 per cent fall in dollar terms. Both the Shanghai and Shenzhen B markets — which trade in stocks available to foreign investors — have slipped back to the levels seen at the start of 1993, while H stocks, traded in Hong Kong, are down almost 40 per cent so far this year.

James Capel Asia has identified a number of reasons, some of them, in its view, misguided, why the investment community has been fighting shy of China: the effect on earnings per share growth of a depreciating local currency; the fear that a tax advantage currently available to companies with B shares will be removed; and the perception that the level of company disclosure is below average.

Dealing in the H stocks has become the preferred method of gaining exposure to China, given that the Hong Kong market is itself well established and regulated. A new tranche of 22 H stocks, estimated to raise a total of HK\$48bn, is due to be listed in Hong Kong and New York before the end of the year.

162.88 172.92 159.97 118.82

165.00

127.97 348.25 179.07 78.54 158.28

187.62 65.05 171.18 326.55 273.30 128.88 196.09 148.51

154,85 190,64 185,09

160.66 173.83 138.87 233.85 161.60 164.71 165.23 172.18

| Index | Inde

181.35 147.75 216.89 281.80 85.52 111.24 130.12 168.25 89.21 129.05 118.11 153.83 117.76 153.18

133.65 184.54

142.49 138.67 150.04 119.95

201.85 139.48 142.16

148.61

102.75 126.50 109.55

106.81 116.35 92.22 165.18

107.23 108.29 109.64 114.25

-0.7 165,90 110,09 143,19 147,48

348.25 231.99 300.59 178.07 118.83 154.57 78.54 52.12 67.79 155.28 105.03 136.81 456.80 303.12 334.28 187.21.5 124.29 1516.90

-0.5 -0.9 -1.3 -1.0 -0.9 -1.6 -1.0 -0.9 -1.0 -0.8

148.48 194,71 114.29 127.60 179.83 127.49 216.83 130.90 144.32 146.40 171,45

3.18 1.53 1.05 1.91 2.91 2.56 2.95 1.93 2.08 2.28 2.28

-0.9 2.29

3.65 1.07 4.10 4.10 1.37 0.91 3.25 1.87 0.73 1.79 3.56 1.97 1.17 2.16 4.28 1.73 1.87 4.28 2.82

175.72 161.91 118.97

123.53 118.97 79.82 123.33 118.97 79.82 125.31 124.78 189.18 141.70 130.47 91.33 161.92 155.95 104.97 132.06 127.20 85.13 337.17 365.82 238.67 188.12 179.25 119.97 80.33 77.36 51.78 165.05 156.96 106.39 484.93 487.04 312.57 197.58 1902.90 1273.35 197.19 189.91 127.10 68.53 66.00 44.17 180.04 173.40 116.05 340.97 328.39 219.78 228.94 273.46 183.02 136.44 131.40 87.94 205.37 197.80 132.38 165.28 149.84 100.09 186.54 178.66 120.24 185.66 178.81 119.57 181.61 155.64 104.17

161,61 155,64 199,46 192,10 172,38 166,02 167,72 181,53 181,81 175,10 144,67 139,33 246,08 297,00 168,69 165,67 172,02 165,68 180,03 173,38

104.17 134.31 128.56 165.77 111.11 143.27 108.11 139.39 117.19 151.10 93.25 120.23 168.61 204.62 106.73 140.20 110.88 142.96 111.27 143.47 116.04 149.82

Dollar recovery, bond Bourses recover on better news from US

The news from America was longs and, potentially, a profit-better. Mr Stanley Fischer, the able switch from short-dated future IMF deputy managing director, said the world economy was "in great shape"; Mr Alan Greenspan, Federal Reserve chairman, made the requisite noises about domestic inflation as he testified in Congress to the House Budget Committee; and President Clinton raised hopes by saying that

a statement on the dollar would be forthcoming later in the day. In Europe, bonds responded, equities followed and shortcovering did the rest, writes Our Markets Staff.

FRANKFURT regained Tuesday afternoon's losses, rose fur-ther to close the session with the Dax index at 1,994.42, and climbed again in the postbourse to 2,004.93, up 47.85, or 2.4 per cent, over 24 hours.

Ms Barbara Altmann of B Metzler in Frankfurt said the recovery started in the bond market, encouraged by Tuesday's M3 figures which were lower than generally expected and by yesterday's further cut in the repo rate, 5 basis points to 5.00 per cent.

Germany has high long bond yields and a reducing inflation rate, said Ms Altmann, indicating high real yields on the

instruments.

In that context the chances for equities, after a Dax fall from nearly 2,300 in mid-May to just above 1.950 this week, were better than the risks, she maintained

Financials, however, were weak, looking at the prospect of end-june figures based on bond trading performance to date. Deutsche Bank fell a further DM7 to DM686.50 and Allianz DM17 to DM2,285.

Turnover edged up from DMS.3bn to DMS.5bn. The best rise of the day came from Deckel Maho, up DM5.70, or 20 per cent, to D3134.20 on talk of a rescue plan for the ailing machine tool maker. MILAN's strong rebound surprised most observers.

although the equity market took its more positive outlook mainly from strength in bonds. Sentiment was also helped by expectations that the government would make an announcement today on proposals to restrict growth in this year's budget deficit. The Comit index improved

13.00 to 691.63. There were gains across the board, with no specific stories predominating; but the good

FT-SE Actuaries Share Indices Open 10.30 \$1.00 12.00 13.00 \$4.00 \$5.00 Com House changes FT-SE Emmark 200 1318-39 1318-39 1318-20 1350-72 1381-01 1382-34 1384-37 1384-32 1382-00 1382-37 1382-72 1382-7 Jun 21 Jan 20 Jan 17 30 ml 35 ml

> 1000 CATANIC MARINE 100 - 1554.57; 200 - 1298.77 (Seeing 100 - 1544.57 386 - 1598.57 rises were seen especially in the industrial sector. One of the day's best performers was Montedison, up L86 at L1,473. PARIS made gains in line with the more optimistic plo-

ture throughout the Continent.

The CAC-40 index advanced

26.26, or 1.4 per cent, to 1.917.04. but brokers cautioned against reading too much into the rise as sentiment remained Peugeot gained FFr8 at FF1783, although the vehicle manufacturer forecast a slow-

down in market growth during the rest of the year. Skis Rossignol put on FFr95 to FFr1,940 as it said that it expected to cut its debt burden this year, and forecast a rise in turnover.

Eurotunnel ended up FFr1.15 at FFr25 with the group due to announce the take up of its rights issue by the weekend.

ZURICH was among the best bourseperformers with a rise of 2 per cent, the SMI index ending 51.5 higher at 2,595.7. The recovery was led by banks, UBS rising SF133 to SF11,119, CS Holding by SF121 to SF1539 and SBC by SF116 to SF1389. Pharmaceuticals also gained with Roche certificates rising

SF155 to SF16,405. However, the recovery was said to be vulnerable. Volume was low and dealers said that the gains were too fragile to lay the basis for a new upward

AMSTERDAM needed little encouragement to break out of the downward trend experienced for more than a week and, drawing inspiration from bonds, the AEX index gained 6.05, or 1.6 per cent, at 382.74. KLM added 10 cents at Fl 45.70, the stock having been upgraded recently to a buy by

Paribas Capital Markets. In explanation Mr Chris Avery, the analyst, said the airline's results for the year to March had confirmed its recovery story, even though it had benefited from a pension holiday. He added that Northwest, in which KIM has a 20 per cent stake, was now making a positive contribution to the group. MADRID's technical recov-

ery, tentative for such a volatile market, left the general index just above the 300 mark again with a rise of 3.78, or 1.3 per cent to 300.76. A reduction in block trades left turnover considerably lower than in recent days at Pta34bn. Utilities were relatively

strong. Iberdrola recovering Pta25, or 2.7 per cent to Pta950 after recent losses appregating around 10 per cent. Banks were mixed, even after some late buying interest.

ISTANBUL fell 2.4 per cent on profit-taking following the market's recent strong run last week when it gained more than 20 per cent in dollar terms. The composite index lost 490.58 to 19 703.93, after an early high of 20,402,14.

ASIA PACIFIC

Nikkei weaker on dollar's low against yen

Tokyo

The rise of the yen, and the fall in the dollar to a new post-war record low of Y99.85 late on Tuesday in New York took Japanese equities to their third successive decline yesterday, writes Our Markets Staff.

The Nikkei 225 average ended 231.84. or 1.1 per cent, lower at 20,581.32 in rising activity, volume climbing from 318m shares to an estimated 500m. Brokers said there was heavy arbitrage selling, but that the Bank of Japan's active intervention in the currency markets, in support of the dollar, had invited buying on the dips in equities.

"bottom-fishing" This allowed the index to close well off the day's low of 20,371.37, although it also registered a high of 20,742.65 in the process

The broad market was also weak, the Topix index of all first section stocks closing 15.00 down at 1,648,97. Declines led advances by 887 to 152, The Nikkei 300 fell 2.24 to

299.28 and the second section index shed 22.44 to 2,407.27 in 17.15m shares, but later in London the ISE/Nikkei 50 index finished 3.43 up at 1,346.99. Japanese equities had risen

this year on hopes that the economy would improve dramatically, said an analyst at a Big Four brokerage; but this scenario was formed on estimates that the dollar would stay at around Y105. Many companies would be forced into downward earnings forecast revisions if the yen stayed around Y100.

Failing a recovery in the dol-lar, said brokers, the Nikkel 225 could fall to 20,000. Foreign investors were net sellers of Japanese stocks vesterday, and it took active domestic buying inked to the launch of new investment trusts and other institutional investment requirements to prevent equi-

ties from falling further. The key declines were in the transportation, rolling stock, fishery and steel sectors. Also, many high-technology issues were weaker as investors sold off exporters' shares on a higher yen. Oki Electric dipped Y7 to Y779 and Sony, in spite of its legal victory in the

142.90 145.21 142.02 142.42 121.46 129.70

128.48 170.56 125.89 175.31

117.81 151.64 151.51 195.41 107.98 139.21 138.15 178.67 79.62 102.66 124.81 145.31

102.68 124.81 145.31 1210.37 216.03 275.79 117.76 188.89 158.72 134.57 188.37 185.37 109.77 109.77 147.07 305.16 384.31 506.66 154.69 178.32 209.33 60.76 94.92 97.78 137.18 108.39 168.34 403.03 484.65 627.83 164.184 7677 12.2847.08

137,18 108,39 186,34 403,03 484,65 621,63 1641,84 7267,12 2647,08 163,69 161,33 207,43 56,96 61,12 77,59 149,63 169,83 206,42 283,59 244,02 376,92 235,98 293,24 284,69 113,39 137,91 155,79 170,69 234,63 231,35 128,06 129,79 176,58 155,04 179,68 214,96 154,30 185,68 136,04

127.87 220.56 132.21 145.70 147.82

173.32 166.92 111.71 144.04 148.89 178.97 156.17 155.17

192.73 157,47 296.21 172.51

George Michael case in Higher cement prices, and England, fell Y90 to Y6,070. privatisation in the fuel and

Mitsubishi Oil, which performed well on Monday and Tuesday, closed unchanged at SYDNEY rose for the first Y1,050: it amounced on Monday that it had drilled a successful test well yielding 10,346 barrels per day of oil off the coast of Vietnam.

Roundup

Interest rate uncertainties remained, but the region offered indications of recovery. Colombo was closed for a

PAKISTAN climbed on bullish sentiment in blue chips, as institutions moved in before the close of corporate books on June 30.

The KSE 100 index rose 38.21, or 1.65 per cent, to 2,348.70.

energy sector, took constituent stocks into an uptrend.

time in a week on a steadier bond market and an advance in the gold price. The All Ordinaries index was ahead 17.3 at 2,010.9, after slipping to 1,988.1. Industrials, resources and golds were strong performers. the golds index putting on \$5.1

at 2,259.1 after the rise in the bullion price on Tuesday night. HONG KONG overcame overseas selling and negative sentiment to end modestly higher. The Hang Seng index closed 19.06 better at 8,876.84 after falling below the 8,800 level in the early morning. Turnover

was a light HK\$2,57bn. Uncertainties about US interest rates and gloomy financial eign investors at bay. SINGAPORE was mixed. It

featured a strong rebound in Malaysian shares traded over the counter, but the Straits Times industrial index, composed of domestic blue chips, ended 6.57 easier at 2,255.30. Brokers said Malaysian OTC stocks benefited from bargain

hunting, and from rumours that a date for Malaysia's general election would be announced this week. BANGKOK finished 1.3 per cent down in moderate trade, with stocks falling across the

board. The communications

NZSE-40 index bottoming at

sector was the biggest loser. while the finance group was the most active. NEW ZEALAND tested its 2,012.82 low for 1994, the

markets worldwide kept for- 2,017.9 before ending 14.21 down at 2,029.53. Turnover was bealthy at NZ\$51.6m.

TAIPEI was mixed in thin trade. The weighted index edged forward 8.64 to 5.957.61 as turnover shrank to T\$40.6bn from Tuesday's T\$46.7bn. United Microelectronics con-

tinued its run of strength with a rise of T\$3 to T\$128.50. SEOUL ended fractionally lower, fearing that the South Korean central bank was about to cap money supply which would result in heavy institu-

tional selling. The composite index dipped 0.44 to 936.39. MANILA broke a nine-day slide as the composite index firmed 1.36 to 2,815.95, but the market was still subdued by global concern over the possible rise in US interest rates. Volume eased to 1.15bn shares.

CONSOLIDATED FIGURE		
in millions of BEF	31/12/93	Change
Balance sheet total	2,614,259	+ 7.7%
Shareholders' equity	67,600	+ 8.5%
Group net earnings	6,733	+ 130.9%
Net dividend (in BEF)	145	+ 45.0%
RATIOS OF THE YEAR		31/12/93
Return on equity		10.38 %
Cooke Ratio		8.98 %

1994: New Challenges

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IN THIS SURVEY

A hard climb up the

☐ The economy

☐ Labour relations
Hunger strikers' faith

may deter foreigners

☐ Investment in South

Uphili battle for investors

☐ Investment in North

Pyongyang must wait

☐ Defence market

Europe's chance

Seoul tries to throw open the doors

South Korea is striving to overcome its legacy of isolationism and to push for economic liberalisation. But it is a hard struggle, writes **John Burton**

n his second year in office, President Kim Young-sam is struggling against South Korea's traditional isolationist attitude toward the outside world.

side world.

He is trying to open his country's economy to full international competition for the first time in its history.

But bureaucratic resistance and public doubts about the benefits of increased foreign economic influence on Korea could undermine Mr Kim's latest crusade to "internationalise" the country, which follows his successful political reform programme last year.

Moreover, the campaign for domestic economic reforms has been overshadowed in recent weeks by the North Korean nuclear dispute, whose origins lie in the xenophobic nationalist doctrine preached by Pyongyang.

The challenges confronting

The challenges confronting Mr Kim reflect the fact that Korea has never completely escaped from the legacy of the Hermit Kingdom, when the country went into self-imposed isolation almost 400 years ago in response to repeated invasions by the Japanese and Manchus. It was one of the last countries in the world to establish contacts with the west in the late 19th century.

Subsequent colonial exploitation by Japan during the first half of this century re-enforced a defensive mentality among Koreans that still exists today.

The clearest example of this can be seen in North Korea, which has adopted *juche* (self-reliance) as its guiding principle. But the Korean peninsula's tragic history has also produced considerable psychological resistance in South Korea to accepting the full rig-

ours of the modern global trading system in spite of the considerable benefits that the country has reaped from it. One recent survey found that almost half of South Korpens

One recent survey found that almost half of South Koreans opposed direct foreign investment in the country, while two-thirds were against the lowering of trade barriers.

But Mr Kim has tried to turn the historical record to his

advantage in persuading Koreans to accept foreign competition. "A century ago, we failed to internationalise on our initiative and were thus forced by others to open up our country. This was why Korea remained backward, soon to be reduced to a colony of a foreign power (Japan)," said Mr Kim in a speech on the first anniversary of his inauguration in February.

tion in February.

"We must learn the lessons of history. Instead of deploring the fact that our doors are unlocking, we should ourselves throw open our doors and march out into the wider world," he urged.

everal opportune factors support Mr Kim's push for economic liberalisation. The economy is once again booming after two years of the slowest growth since 1980. The GNP growth rate is expected to exceed 7 per cent this year as exports increase due to a weak Korean won and industrial investments grow in response of overseas demand

Labour disputes, which have disrupted industrial production in the past several years, are on the wane as living standards rapidly improve. Wage negotiations are being settled at an unprecedented rate this year, although troubles may

still lurk in the car and shipbuilding sectors, two of Korea's main export industries.

Mr Kim and his Democratic Liberal party enjoy a solid political position with a secure parliamentary majority. The opposition is in disarray, with the Democratic party failing to reinvigorate itself under the somewhat hapless leadership of Mr Li Ki-taek.

The president does not have to worry about immediate electoral considerations since the next parliamentary elections will not occur until 1996, one year before his mandatory single term ends.

This should give the Kim

This should give the Kim administration enough time to lay the foundation for its economic reforms and make South Korea eligible to join the Organisation for Economic Co-operation and Development by its desired deadline of 1996. The government wants to

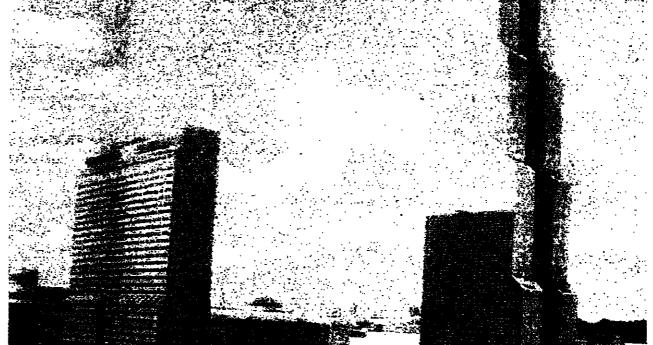
The government wants to reduce strong state intervention in the economy. The myriad barriers to foreign investment and goods are gradually being lowered as Korea seeks technology and capital from abroad to improve its global performance.

Korea neglected research

and development as it concentrated on building an impressive industrial base. The country consequently needs foreign technology if it is to achieve its goal of becoming an advanced industrial power. It is now actively seeking foreign partners as it builds high-speed rail systems, advanced telecommunications networks and an indigenous defence industry.

indigenous defence industry.

Korea is also overhauling its antiquated and tightly regulated financial system that has created distortions in economic development, particularly at



Korea's World Trade Centre in Secu

the expense of small businesses, and prevented large industrial concerns from obtaining cheaper credit abroad.

The government argues that the reforms will make the economy more efficient as it switches from governance by bureaucrats to market forces. Foreign competition in the home market will help to improve the performance of the large conglomerates, or chaebols, as they increase their

operations abroad.

It has even used the "Visit Korea 1994" campaign primarily as a means to encourage Koreans to accept internationalisation by playing host to for-

But Mr Kim is already discovering that he lacks the public support for trade liberalisation that he enjoyed on political reforms. Public attention has focused on the immediate disruptive impact of the changes. Farmers have protested about the decline of the agricultural industry caused by the opening of their protected market under the Uruguay Round of Gatt. Labour-intensive industries as well as the service and financial sectors are

competition.

Public opposition, encouraged by bureaucrats afraid of losing power, remains a potential obstacle to the successful introduction of the reforms.

also ill-prepared for foreign

US gets the blame
Pa

Korea

So close - and yet so far apart

Trade barriers foster overseas growth

Impact of Gatt
Samsung in the global

Samsung in the global village Page 6

Island's charm is under threat

Tourism
Overseas publicity

Editorial production
Gabriel Bournan

But an even bigger threat is now emerging with the North Korean nuclear dispute, which

could eventually throw the

economic liberalisation pro-

A military conflict, though

still unlikely, would obviously

force the government to re-orient its priorities. A possible economic collapse of North

Korea, caused by stiff interna-

tional sanctions, might also

force the government to scale

back the reforms as it concen-

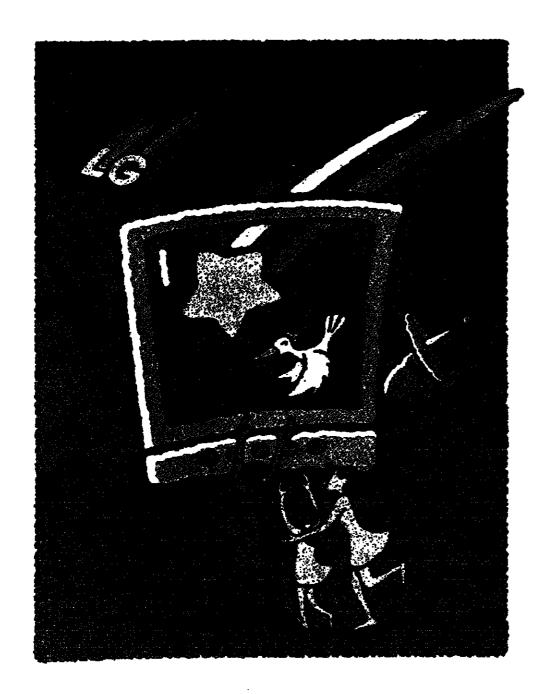
gramme off course.

resources on reconstructing a post-communist North Korea.

Even if these two worst-case scenarios do not occur, the nuclear dispute is creating suspicions among some South Koreans that the looming crisis is the result of international meddling, primarily by the US, on the Korean peninsula. That is likely to increase public scepticism about the government's calls for internationalisation.

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KOREA

nce known as the Miracle on the Han, the Korean economy has reached a crossroads. It can adapt and join the ranks of the industrialised nations; or, crippled by dwindling productivity and com-petitiveness, the heavy hand of government intervention and restrictive regulations, it can follow the downward track of

Japan, its neighbour. Mr Il Sakong, a former minister of finance and now chairman of the Institute for Global Economics in Seoul. says: "Korea has reached an awkward stage of development. It is a Newly Industrialised Economy but not quite yet an industrialised economy. It is about to enter this new stage of industrialisation to join the ranks of the industrially advanced nations. The question is how it will move up this ladder."

For Korea to become a member of the Organisation for Economic Co-operation and Development, as it plans to do in 1996, it must adhere to its programme of deregulation. specially in financial markets; improve labour competitiveness and efficiency; maintain downward pressure on both wage and price inflation; open domestic markets to outside competition and introduce housing and land reforms.

There are also public sector issues to be tackled. To do so will not only win Korea credits

Louise Lucas looks at progress towards industrialising the economy

A hard climb up the ladder

in the eyes of the OECD; it will and then deposit rates will be lation, which would hurt current account is on track to also secure the next phase of economic growth.

It is a tough task, but one which the government at any rate believes it is up to. South Korea's first civilian president in 30 years, Mr Kim Youngsam, is regarded as reformative and forward-looking, although whether he can overcome the vested interests and lower ranks of ministry officialdom is a question over which many analysts harbour doubts.

Last April, Mr Kim's administration unveiled a five-year economic plan to restructure the fiscal system, slapping taxes on speculative property gains and scaling back taxes charged to foreign investors, and to liberalise financial markets, turning the present government-orchestrated system into a market-based version more akin to those in the rest of the developed world.

The five-year programme for liberalisation, introduced last year, aims to overcome the inefficiencies bred by the non-price allocation of credit, both in the economy as a whole and in the financial sector itself.

Under the plan, lending rates

freed at the same time as the government loosens its grip on international capital

However, the guiding principle is for gradualism - a policy which, while avoiding all the mayhem of a "big bang" approach to deregulation, may not best serve Korea at a time when so many of its neighbours are attracting foreign cash and technology.

Industrial development may also come too slowly to keep up with the rest of the world. Korean industry has lost its competitive edge at a time when world demand is on the upswing. Economists reckon there are too many vested interests and interlinked issues to allow for speedy progress.

Mr Lee Hahn-koo, president

of Daewoo Research Institute, says: "We need foreign investment, and the government wants to reduce the obstacles to investment. But it cannot be so speedy because the public mentality does not change so speedily. I believe we are now starting to get out of that vicious circle, but not

The government is eager to avoid any currency apprec-

trading competitiveness. Mr Shin Myoung-ho, assistant minister of finance says: There is a trend towards liberalisation, and so foreign governments and companies want us to speed our pace. But we have also to take into consideration some disturbances to the macroeconomic variables.

"There is still a substantial gap between domestic interest rates and international rates. so if we open up capital movement at this stage, we could suddenly have a huge inflow resulting in a sharp appreciation of our currency, or excessive liquidity causing inflationary trends.'

or now, inflation is pitched to end the full year at under 6 per cent, despite a bad harvest which sent food prices soaring although many Korean economists expect it to rise sharply next year. This is twinned with an upturn in the economy, which this year is forecast to grow at 7.6 per cent. Interest rates, now close to the record lows of 1982, are

penalised. He also questions whether Korea can adapt to compete in the national arena. Wage rises are out of line with improvements in productivity. Korea boasts the also expected to remain soft most expensive workforce in until 1996. Less positively, the Asia after Japan, and Mr Lee

move back into the red this

year (after posting a modest

\$500m surplus in 1993, which

deficits) as imports, largely

capital goods, surge. However,

Baring Securities is looking for

improvements in the second

half of the year which will contain the 1994 deficit at a

manageable \$1.9bn, or 0.5 per

Mr Lee, who is not confident

of Korea's ability to continue

riding this wave after two

years' stagnant growth, points

to several factors which could

further undermine Korea's climb up the industrialisation

He says that if the yen starts

to depreciate against the

dollar, so enhancing the price

of Japanese exports, and

demand from China retreats as

its growth slows and its own

industry becomes an ample source of oil and steel, Korea

could find its trade flows are

estimates wages this year will rise around 12-13 per cent, in line with union expectations. However, Mr II believes that ended a three-year run of a restructuring of industry into

more sophisticated value added areas will enable Korea to regain its competitive edge. and says companies have started out on this path by upping their investment in R&D in acknowledgement of the changing nature of competition, which now comes from the developed world.

*Companies themselves are in a transitional period. In financial structure terms, Korean companies have a high debt to equity ratio compared with the advanced countries, while R&D capabilities are not

But they realise they can no longer remain competitive the way they are now, so they are taking steps towards intensified R&D and restructuring – but it is just beginning. If they are successful, of course the Korean economic restructuring will succeed, but it all depends on the companies' performance. And, based on our track record, I think we will do it. The question is how long it will take," he says.

South Korea: ke	y facts	
		1000 en km
Area	teta Kim	Acres ed off
Population 44.1m Head of a	South &	Consen Won
Average exchange rate	1993	11=W 802.5
ECONOMY	1992	1993
Total GDP (W '000bn)	205.9	217.2
Real GDP (W 'UUON)	5.1	5.5
HOSE GUY GROWEN (70)	6,798	7,107
GDP per capita (5)		
Components of GDP (%) Private consumption	54	54.1
Total investment	36.6	34,3
Government consumption	10.9	10.8
Exports	28.9	29.4
Imports	-29.9	-59
Annual average % growth in:		•
Consumer prices (%)	6.2	4.8
Wholesale prices (%)	2.2	1.5
Average earnings (%) 2	15.7	7.8 '
Industrial production (%)	5.3	5.9
Unemployment rate (%)	2.4	2.8
Employment (m)	18.9	19,2
Yield on corporate bonds (%) "	14.0	12.2
Govt. bond vield (%) 4	13.2	12.0
Official discount rate (%)	7.0	5.0
Total reserves minus gold (\$bn) "	17.1	20.2 19.0
Narrow money growth (M1)	13.0 18.6	17.4
Money growth (M2)	11.1	27.7
FT-A index (% change)	-4.5	0.5
Current account balance (\$bn)	75.169	81.024
Merchandise exports (\$m)	-77,316	-78,946
Merchandise imports (\$m) Trade balance (\$m)	-2,147	2,078
Main trading partners (%)	Exports	Imports
	22.1	21.4
US	14.1	23.9
Japan	7.8	ZO,9
Hong Kong	7.0 4.4	4.7
Germany		7./
(1) 1983 figure is October; (2) Manufacturing; (3) 3-yes (4) Maturity up to 5 years; (5) December; (6) Year sec	ar bonds	
(4) Maturity up to 5 years; (5) December; (6) Tear end Source	i. Is: IMF, EUI. Date	stream OECD

Visitors to the Federation of Korean Trade Unions in Seoul these days will find their nostrils assailed by a thin, acrid smell redolent of sick rooms. A series of crude primary colour posters gives details

sixth floor. Here, in a large bare conference room, a handful of men lie around, reading comic books and computer manuals. One worker, in a suit, has not eaten for 20 days. "It is very painful but I have a strong faith that we will win." he says.

of the hunger strike taking place on the

If the strikers' 107 colleagues who were fired for union activities are reinstated. faith will have proved a more powerful adversary than the FKTU and President Kim himself. But either way, the outcome will give little faith to foreign investors. who cite Korea's turbulent labour relations as a reason to avoid equity participation deals in the peninsula.

Mr Lee Jun-wan, general secretary of the FKTU - which, he says, takes in 1.4m of the country's 1.8m organised union members – adds his support to the strikers. The dispute, affecting workers at the automobile insurance arm of Tongpu, one of Korea's 30 biggest chaebols or conglomerates, has been going for over a year and Though there are fewer disputes than in past years, labour relations remain tense

Hunger strikers' faith may deter foreigners

is, he suggests, a symptom of the stronger power wielded by the chaebol's head, Mr Kim Jung-ki, a relative of President Kim. A court ruling early last month found Mr Kim not guilty, and the president is powerless to overrule the decision. Mr Lee says: "FKTU offered to solve this problem. President Kim ordered the Ministry of Labour very strongly to solve this problem. But there is still no solution."

Despite Mr Lee's protestations as to the FKTU's strength, the hunger strikers on the sixth floor suggest otherwise. If those lethargic figures represent hope to anvone, it is to the Korea Council of Trade Unions, a new illegal union that plans to give FKTU a run for its money from next

KCTU, owing no loyalties to government (unlike FKTU, which reaps some W7.5bn from government for educational purposes), claims it will more truly represent the workers' interests. It will certainly have a more militant edge, and stands to put a spanner in the works of labour relations which Mr Lee believes could be entering a more peaceful, non-vi-

Korea has been a crucible of labour strife and disputes since 1987, when the Great Workers' Struggle erupted. A strike involving about 1m workers, it lasted from June to September and was one of the factors behind the emergence of a new democratic trade union, set up in January 1990. However, government pressure weakened the new union, and a more loose knit, organisation sprang up to fill the gap: the Korean Congress of Indepenat Industrial Federations (KCIIF).

KCTU seeks to bring together KCDF and the dissident Korea Trade Union ngress (KTUC), which was formed by the Democratic party. Its proponents

believe it will win over 600,000 members. Mr Shin Eun-cheol, the chain-smoking executive secretary of the KTUC, says: The union movement is still powerful. We are facing a challenge so if we work well the union maintains its strength but if we fail to meet the challenge then we may also be ruined."

The government still has uneasy relations with unions that do not come under FKTU. KTUC says some 300,000 workers have been dismissed for union activities: there is even a Struggle Committee for Dismissed Workers' Reinstatement. Former KTUC president Pan Byung-ho remains in hiding - allegedly with a \$1m price on his head - after lecturing union iders during the 52-day Hyundai strike

Even the government steers clear of putting a brave gloss on labour relations. An official at the Ministry of Labour says:

completing this year's wage negotiations between labour and management. In some enterprises we are afraid there could be labour disputes which will cause strikes. "It is not only a question of wages. Workers in some big enterprises are making various demands, such as workers' participation in management. That is why management feels it is very difficult to succeed in signing labour contracts."

Two years ago, in deference to workers' demands, the government set up an 18mber labour reform study committee, which duly came up with a clutch of recommendations. The labour ministry insists: "We are going to try to make these amendments, but it is very difficult to say now what the timeframe will be." However, some changes to labour policy have been effected under the civilian go

eroment, and statistically labour strife is

on the wane: from 3,617 labour disputes in 1987 to 200 last year and just 25 "small scale" disputes in the first five months of 1994. Wage rises have been negotiated at an average 8.7 per cent (the consumer price index stands at around 6 per cent); and almost half of the 5.500 biggest com-panies' wage negotiations had been concluded by June 9 - more rapidly than in previous years. In the same period last year 35.7 per cent had been concluded.

The new government swooped on labour policy shortly after coming into power. The prompt was economic rather than social: increasing international competition and a slack domestic economy were eroding profit margins and highlighting gross inefficiencies within the workplace. Productivity growth was falling to keep pace with spiralling wage increases.

But the hunger strikers' action shows that Korea still has much work to do on the labour front. As Mr Lee Hahn-koo, president of the Research Institute, says: "I don't think we are safe from disturbances. There's still some unrest. The workers are not so rational in Korea."

Louise Lucas

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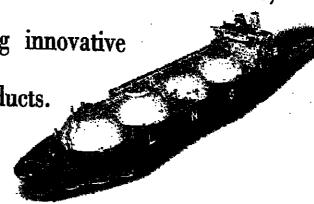
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South Korea is on the hunt for foreign investment and technology. The rapid rise in wages since 1988 means it can no longer compete as a low-cost manufacturing centre. Compared with the Philippines, Vietnam and China, costs are high Instead, South Korea must compete in high-technology areas.

But although the country is now one of the leading manu-facturers in the shipbuilding and automotive sectors, its technological base remains weak. Korean companies, on average, spend only 3 per cent of turnover on R&D, compared with about 7 per cent among their western counterparts.

The government is also anxious to attract investment from foreign companies, particularly Japanese component manufac-turers, South Korea runs a hefty trade deficit with Japan, mostly caused by imports of sophisticated machine tools and automotive components.

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A SECTION

CR BELLER

But the hunt for foreign investment and technology is proving an uphill battle. Foreign investment in South Korea has fallen in recent years. Investment by Japanese companies fell from a peak of \$697m in 1988 to only \$1,55m in 1992, rising to \$286m last year. European investment peaked at \$824m in 1991 and fell to

only \$307m last year.

The reason is that South Korea has a poor reputation as a location for foreign investment. A recent report by Political & Economic Risk Consultancy, the Hong Kong based group which canvassed opinions of 95 corporate managers and hankers, was damning of South Korea's attractions.

Paul Abrahams on the south's bid to attract foreign companies

Uphill battle for investors

The study suggested South • was the most nationalistic country in Asia;

• was the most bureaucratic after China and Indonesia;

• had an economy dominated by cartels and state-owned

companies;

• discriminated more than any other nation against foreign investment;

• was the most protectionist nation in Asia;

• had the highest potential for labour unrest;

• and had a greater potential
for social unrest even than

China. However, companies operating in South Korea believe there are two main obstacles

hindering foreign investment -labour and tax.

Foreign investors have been concerned both by the high cost of labour as well as the number of industrial disputes. Admittedly, the latter has fallen by pearly finite quarters

since the peak of 1988, but the legacy remains.

"Many Japanese companies were put off by the bitter experience of trade disputes a few years ago," says Mr Yoshiaki Onuki chairman of the Japanese Association in Seoul.

"Although the number of disputes has fallen, labour is still a problem. Pay is at a very high level Japanese companies in Sooul pay their workers, on average, Wonania month, com-

pared with an average of also been affected by an iniqui-Won900,000 in non-Japanese tous tax regime, says Mr Yosh-companies. Retirement costs taki Onuki, director general of are double those in our Tokyo the Korean subsidiary of Mitare double those in our Tokyo the Korean subsidiary of Mitheadquarters," he says.

The other main problem factory, "Most of the Japanese trading foreign companies is the banks and trading houses are National Tax Authority. This losing money in South Korea fordy, working under the But the tax authorities then finance ministry, has recently impose taxes on what they launcheffingestigations into as think you ought to be making many as 25 European and US. You end up making mexcompanies operating in South pected losses," he says.

Other issues include the high cost of land. Mr Byong-Seok

Chang, president of Sony Elec-tronics of Korea, explains that

in New York Chair	1987	1968	1986	1990	1991	1992	1993
)ET)	497 -255	697 284	466 329	236 317	226 296	155 379	286 341
ope -	210	243	212 83	207 43	824 50	282 78	307 110

Korea, Huge tax bills have been imposed on some, leading to complaints that the measures were retroactive - dating back up to five years - and less than transparent.
The economic co-operation

bureau at the finance ministry is saying 'invest here, all is sweetness and light, but the tax authority is imposing five years' worth of retroactive taxes together with penalties and interest that wipe out your profits. It's ladicrous," says the chief executive of a European multinational."

Japanese companies thave

Mr Duck-Koo Chung, director general of the economic co-operation bureau at the finance ministry, insists the intellectual property problems have been resolved. Neverthe-less, western and Japanese groups are concarned that by setting up joint ventures and offering technology transfer, they may give away their crown jewels.

Mr Ontikl doubts if many transfer, they may give away their crown jewels.

Japanese component makers will invest. Much of the technology they own was devel-oped with the co-operation of the Japanese car manufactur-ers. The latter would take a dim view of handing over that technology to the Koreans."

However, President Kim Young-sam's government is anxious to make the country more attractive for foreign investors. This month its inter-agency task force for foreign investment will amounce a series of measures that contime the deregulation process, cinsiting greater competition.

The measures include faster approval of investment permits more rapid approval of land furchases special investment areas for foreign investment areas for foreign investment areas for foreign investment. ment areas for foreign inves-fors: easier access to short-term overseas losins; and a special tex tribunal for over-seas groups. As for labour rela-tions. Mr Ching insists the country's repotation is based on outdated attitudes—there are now sewer disputes in

South Kores than in Japan. The policy of attracting investment has paid some high-profile dividends. The most significant have included the \$2.1bn deal concluded by GEC Alsthom, the Franco-British consortium, for South Korea's high-speed railway, and Samsung Heavy Indus-tries's contract with Nissan Motor of Japan to import car

technology.
Nevertheless, not all companies are convinced. "Many

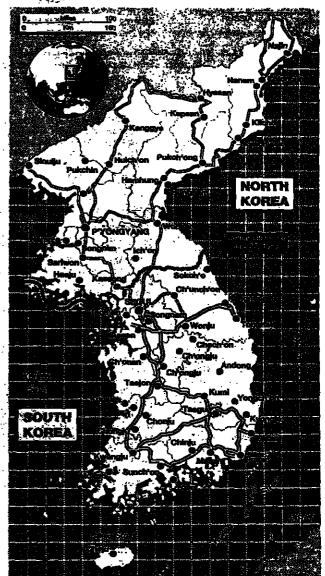
nies are convinced. "Many long established residents just do not perceive a great deal has changed," says Mr Alan Twist, president of the EC. Chamber of Commerce.

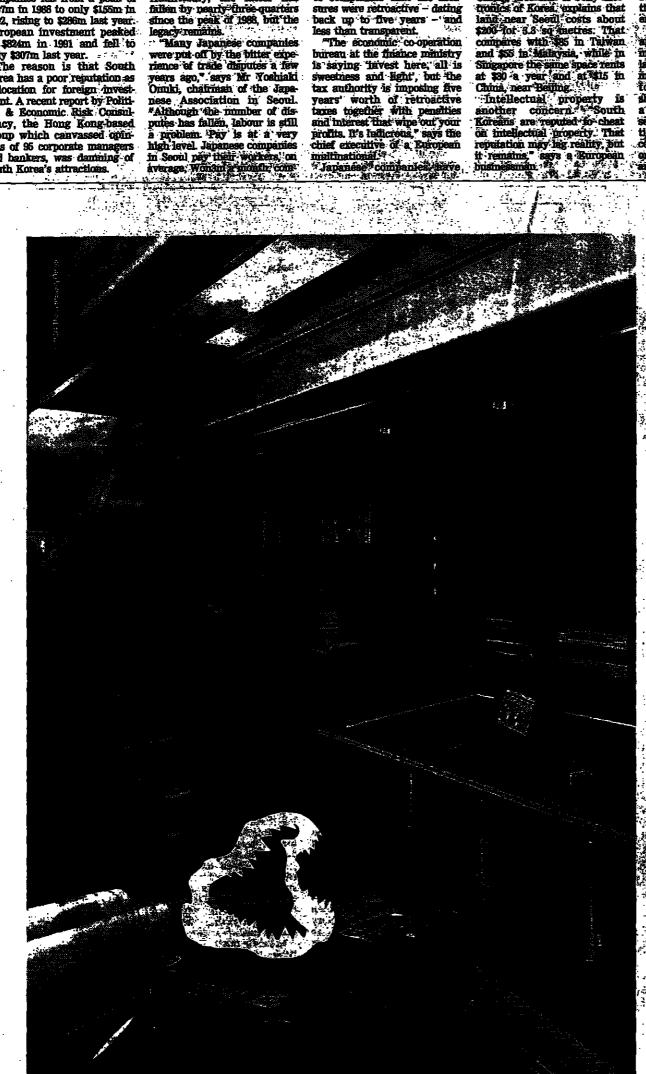
They seem to be trying to remove distincentives, but are not providing any incantives; complains one European businessman. "A radical shift is required even to start catching up with Vietnem or China." up with Vietnam or China." Few Japanese companies

Few Japanese companies seem set to leap back into Korea. "They need Japanese technology and management expertise, but until they sait out the main problems," I don't think there will be much interest, says Mr Omuki.

Even if such practical concerns are addressed, there remain cultival problems. "A number of Japanese companies set up joint ventures, but there's a real difference the innabagement styles." The management styles. The Koreans take so many holidays, and they expect special bonuses all the time," com-plains Mr Onnki.

Others remain cynical. One European' chief executive langents: They still want your technology. They still want your money. Then they still are now fewer disputes in want you to get out."







SOMETHING

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he Korean War museur

the tragic conflict which con-

vulsed the peninsula more

than 40 years ago and left the

country divided, one of the last

legacies of the cold war. But

next to the maps and diorama

of the struggles of yesteryear is

also a proud display of the

nation's contemporary arms

industry, the fruits of Seoul's

Yulgok Project, a programme

estimated to be worth more

than \$37bn that is aimed at

establishing a technology-

based domestic arms industry.

its weapons manufacturing

capabilities is unsettling the

South Korean military equip-

ment market, irritating the US,

which has been the over-

whelmingly dominant supplier,

and providing opportunities

and risks for groups from

At stake is a great deal of

money. South Korea's defence

budget is between \$12.5bn and

\$13bn a year, of which about

half is spent on equipment. Of

that procurement budget, on

average between a quarter and

a third is spent overseas -

market share of the overseas

procurement budget was as

high as 95 per cent according to western diplomats. That pro-

portion has fallen to about 80

per cent, although the figure

changes from year to year,

varying when large contracts are awarded, and has been as

Seoul's desire to build up its

military manufacturing capa-

bility is partly motivated by the reluctance of Washington

to supply its most sophisti-

Americans have a tendency to

supply the Koreans with what

suits the US, rather than with

what the Koreans want,"

explains one European diplomat. "Washington doesn't

want its technology exported

to third parties, and doesn't

want the Koreans to be com-

petitors in the arms bazzar in

The reluctance of the US to

supply South Korea with

sophisticated technology is

accompanied by Seoul's desire

to reduce its dependence on

Washington. In the short term,

the alliance between the US

and South Korea remains firm.

But in spite of American offi-

cials' denial of any desire to

withdraw US forces from the

peninsula, European diplomats

say the presence of US troops

cated hardware.

low as 60 per cent.

Until the late 1980s, the US

more than \$3bn a year.

Europe and elsewhere.

Seoul's ambition to build up

opened earlier this

month, commemorates

Pyongyang must wait

North Korea hopes to compete successfully with ther Asian countries in attracting foreign invest-

For the moment, the policy is on hold as the US attempts to co-ordinate UN sanctions because of the ref- usal of Pyongyang to allow inspectors access to its nuclear facilities. But in the long term, the government hopes foreign investment will save the economy and incidentally sustain North Korea's polit-

ical system. Pyongyang needs overseas

investment because the North Korean moveď into sharp reverse Real GNP growth The collapse Rice production of the former (2000 tons) Soviet linion Population has cut off the Exports nation's most important Trade deficit sources of External debt foreign trade. Exchange rate previously representing half of all

trade.
The North Korean economy shrank in 1990. 1991 and 1992, according to Dr Hongstack Chun, fellow of the Korea Development Institute. Latest figures from the South Korean central bank suggest it fell 4.3 per cent last year. Professor Aidan Foster-Carter of Leeds University estimates North Korea's GNP last year at only \$20bn, the same as a single

Faced with a growing economic crisis, the Pyongyang government has been mes merised by the success of reforms across the border in China.

year's GNP growth in South

The North Koreans have already emulated Chinese legislation to create the right legal environment for investment, according to Dr Chun. Special investment areas.

similar to Chinese special regions, have also been created. These include a site at Nampo near Pyongyang

estment, and another near the Chinese border. Tourisi areas are also being created in the Kumgang mountains ar the demilitarised zone, and Paektu on the Chinese

However, the most advanced project is the Tumen River Area Development Programme which has been co-ordinated by the United Nations Development Programme. This region is at the iunction of the borders of North Korea, Russia and China. The rationale is that the North Korean coastal

North Korea: economic indicators

20%

21.0m

\$1,69hn

\$2,90bn

n/a

0.94

\$1,219m \$1,073m

1990

-3.7%

21.4m

0.94

zone would provide sea-access

to northern China, explains

Mr Jacob Guijt of the UNDP.

However, progress has been

slow and recently the Chinese

Indeed, the North Koreans'

efforts have not proved part-

icularly successful anywhere.

So far, the only invest-

ments have been small-scale

projects by Korean Japanese

sympathetic to Pyongyang.

The North Koreans been

Mr Anthony Michell of Hong

Euro-Asian Business Consult-

and actually putting building

really disappointed," says

Kong-based consultants

ancy . "However, it takes

about two years between

considering an investment

the plant. The programme

so there's still time."

only really started recently.

of investment is the north's

continuing unwillingness to

national banking community.

repay loans to the inter-

One reason for the absence

and Russians have proved

less than enthusiastic

partners, he admits.

\$1,86bn | \$1,40bn

1991

-5.2%

21.8m

\$902m

\$4.7bn

0.96

1992

-5,0%

22.2m

\$0.92bn

n/a

The principal sum amount to \$747m, although that has doubled because of interest. In addition, some loans to the former Soviet Union dating back to 1949 still remain unnaid.

Another reason for the international community's reluctance is the failure of most of the Japanese-Korean joint ventures. Some North Korean business practices

have also been questionable. Infrastructure, or rather lack of it, is another concern "There are no container facilities at the ports," explains Dr Chun. "More than 80 per

is by rail and the trains have an 1993 average speed North Korea does have some advantages, however. Mr Michell points out that

\$2,93bn \$2,31bn \$1,55bn n/a n/a labour is well-216 educated, disciplined and highly productive. The internal market represents about 22m potential con-sumers. In

addition, there are huge mineral and forestry resources. The north, a cheap manufacturing location at the heart of one of the world's fastest-growing regions, would also provide access to nearby markets in Japan and China

In the long term, all agree the north and south will be united. North Korea would offer a cheap point of entry to a market of about 70m consumers, says Mr Michael Breen of Merit, the Asian consultancy. There would be no tariffs

from the north to south they're the same country. There's bound to be investment over the next six months, although it depends on the Asian investment cycle. By 1996, North Korea could be on the cover of Newsweek as the new Vietnam," enthuses Mr Michell.

The defence market opens up

Europe's chance

bly be an anomaly.

Washington's willingness to supply arms after such a withdrawal would be more equivocal than at present, they claim. "If the US has to choose between supporting Korea or Japan, there's no doubt who would lose out," says one European diplomat.

As a result, Seoul is hunting for military technology wherever it can find it, a policy which offers significant opportunities for non-US arms groups. European countries. less reluctant than the US to transfer technology, have already been able to snap up an increasing number of contracts. The market leaders are probably Germany and the UK, followed by France, Spain and

Italy. where pean manufacturers can comeffectively are

mostly where the US has no equipment available to meet Korean requirements. The most obvious nine diesel submarines concluded by Howaldtswerke Deutsche Werft of Kiel, Germany. The US does not manufacture such vessels. Similarly, American suppliers were unable to meet Seoul's requirements for transport aircraft with short runway capabilities. The contract was eventually was given to Casa of Spain which will supply 12 CN-235s at

a cost of about \$200m. On occasions the Europeans can win against US competition, however, Matra of France won a contract for about 150 Mistral man-portable surface to air missiles in a deal initially valued at \$180m, which could eventually be worth up to \$720m. Although the cheaper Stinger missile offered by US company General Dynamics was preferred by the South Korean army, the Pentagon was reluctant to release the technology. Matra's willingness to supply Lucky Goldstar with technology and allow it to participate in about a quarter of the project won the day with

the South Korean government. The Europeans' efforts would perhans be more successful if they worked together. At present. European suppliers, sometimes from the same country,

in a united Korea would proba- throats in their efforts to win contracts.

"It's ridiculous that we have two European helicopter companies competing with each other," says one European dip-lomat. "It's difficult enough just competing with the US." He gives the example of a consortium between British Aerospace and Sema of France which recently won a contract to supply the electronic combat system for Korean navy's stroyer programme against Atlas Elektronik, a German competitor, and Ferranti of the UK. Other diplomats agree that Europe's lack of co-ordination hinders its efforts, but there remain few signs of greater co-operation.

Meanwhile, US military authorities in South Korea argue that buying European

systems could lead to problems

of compatibility with US hard-

ware stationed on the penin-

sula. European suppliers say

this fear has been exaggerated

pointing out that most Euro-

pean weapons are configured

A further danger highlighted

by US officials is that non-

American suppliers may prove

unwilling to supply materials

and spare parts during a con-

flict. The status of the \$66m

PC-9 trainer programme which

was due to be supplied from

Switzerland by Pilatus remains

in doubt because of Swiss con-

cerns that the 20 aircraft could

he converted to carry weapons.

Seoul's inexperience in dealing

with non-US contracts has led

to expensive bills for spare

parts, according to one diplo-

concede it will be impossible

for the Europeans to compete

with the US for contracts for

major platforms, such as iet

fighters or tanks. Washington's

political clout, and the domi-

nance of US military thinking

However, Europeans could

supply components or the

entire programme for projects

Electronics equipment for

about eight reconnaissance air-

craft, smaller than the Ameri-

can Awacs, but capable of

on the peninsula, put such

huge deals out of bounds.

Most European diplomats

to Nato standards anyway.

offering airborne early warning capabilities. The South Koreans are almost completely dependent on the US for information about movements in North Korea.

Trainer aircraft. After the failure of Daewoo Heavy Industries' indigenous KTX-i trainer. Lockheed of the US is offering help for early development for the KTX-II programme in a deal worth about \$700m. The next stage of development could be worth up to \$2bn. The UK wanted to supply a cheaper redesigned version of the BAe's Hawk

Frigates: South Korea's admirals have aspirations to a blue water navy, capable of operating beyond coastal waters. European diplomats say the US is offering reconditioned ships. but the South Korean navy wants new ves-

sels of possibly European countries, less reluctant than the US up to 8,000 to transfer technology to Seoul, have snapped Deen water up an increasing number of contracts submarines. The UK is

understood to have offered four second-hand Upholder class vessels, but the South Korean navy is not particularly interested.

Naval heliconters. Mine-hunters.

Ground-based electronics. particularly in the field of command, control and communications. This might include military satellite communications. Land-based helicopters.

* An upgrade of the K1 tank. Most of the equipment would probably be provided domestically or by the US, but European suppliers could ship some

The extent to which the Europeans can capture market share remains unclear. This is partly because in recent months few deals have been concluded. A purge of the armed forces and an anti-corruption campaign instigated by President Kim Young-sam has ied to a virtual paralysis in military procurement. During 1993, only 20 per cent of the overseas procurement budget was actually spent.

"Nobody wanted to make a decision," explains one diplomat. The disincentives to take action received a further boost last year after a \$6.67m fraud involving a French-Korean. counterfeit bills of lading and a non-existent cargo of artillery shells. The affair cost Mr Lee

minister. However, diplomats say the decision-making process is now loosening up.

Although South Korea represents an opportunity for European companies, diplomats admit there are risks. In the first place, the contracts may not be particularly profitable. Some non-US suppliers have succeeded by offering low prices or even throwing in free samples. In addition, nearly all deals over \$5m include a mandatory offset of 30 per cent.

Another problem is that by winning a contract through technology transfer, the Europeans could create a future competitor. "The main advantage the European makers have is their willingness to offer technology, but they mustn't offer ton much," says one European diplomat.

However, most European observers discount such dangers. "What the Koreans have done in the automotive industry is extraordinary," says a European diplomat. But there's a big difference between assembling a submarine or a trainer aucraft, and developing one for yourself."

Another explains: "The clever stuff is really beyond them. On a submarine, the sonars, weapons and controls to propel and direct the boat are all too sophisticated, it's worse in aerospace."

Indeed, the track record of the Korean Agency for Defence Development (ADD), responsible for acquiring technology and then developing indigenous weapons systems, is particularly patchy in that sector.

The most disastrous example is Korea's KTX-I trainer aircraft, developed by the ADD. The aircraft was underpowered and overweight, making the trainer difficult to manoeuvre and there were problems with the landing gear.

The ADD is continuing to persevere, however. After the failure of the KTX-I, it is co-ordinating development of the KTX-II. Samsung, Lockheed of the US, and Casa of Spain are collaborating to develop a twin jet-engined trainer.

"The Koreans will keep pushing for technology," says one diplomat. "The Europeans will give it to them. But it's more likely to be the older generation kit - say the mark VI rather than the mark VII. The question is whether the Koreans, using all those PhDs to vacuum up technology from whatever source, will eventually be able to catch up on their own, in the short term the answer is no. In the longer term, the question is rather more difficult to answer."

John Burton looks at the south's foreign policy

US is blamed for crisis

The most criticised aspect of President Kim Young-sam's administration has been its inconsistent policy on the North Korean nuclear issue. Mr Kim has shifted back and

forth between accommodation and tough rhetoric during his 16 months in office. This reflects deep divisions, largely based on generational differences, among the South Korean public and his own cabinet on how to handle North Korea. But North Korea's apparent final refusal to allow interna-

tional inspections of its nuclear facilities has ended the months of wavering in Seoul. The government now appears united in supporting stiff sanctions against the north. This does not mean, how-

ever, that public debate on the issue has abated. There are predictions that South Korea could soon witness some of its biggest demonstrations since 1987, when the military government was overthrown, as studenis protest that the government's hard-line policy could eventually lead to war.

The nuclear dispute has served as a catalyst on Korea's future role in north-east Asia and Seoul's relations with the US, its closest ally.

Whatever the outcome of the crisis, South Korea is likely to adopt a more independent and assertive foreign policy in the future that could weaken its ties with the US and might even lead to acquiring its own nuclear capability.

Conservatives have criticised the government for allowing the US to dominate policy on North Korea at the expense of South Korea's national interests. They were angered by Washington's willingness to establish direct contacts and possible diplomatic relations with North Korea, a development they feared would weaken South Korea and

strengthen the north. As South Korea tried to undermine support for the north by wooing its Chinese and Russian allies, so North Korea was believed to be doing the same by using the nuclear inspection issue to gain US diplomatic recognition. The collapse of Washington's

conciliatory approach to North Korea in response to Pyongyang's continued refusal to result of the North Korean

make concessions on nuclear inspections has vindicated the conservative faction and strengthened its influence.

But there are doubts in the two opposition parties - and among the 84 per cent of the population born after the Korean war ended in 1953 - that confrontation with North Korea is desirable.

University students believe that the US and Japan, not North Korea, represent the biggest potential threats to South Korea, according to a recent survey. They claim that the nuclear dispute has been provoked by the US to reverse Washington's dwindling influence on the Korean peninsula. Anti-American feeling is

widespread because of past US support for the country's military rulers. This view is not

ing public acceptance for South Korea to possess its own nuclear arsenal

"Many people wonder if South Korea should try to inherit the North Korean bomb once reunification occurs or try to develop our own since it would improve our security and status," said one Korean journalist. "We would no longer be the Korean shrimp among the whales of Japan, China and Russia."

South Korea tried to develop a nuclear bomb in the 1970s under its former military president, Mr Park Chung hee, to counter the north's military strength. It was forced to abandon the programme under US pressure.

In contrast, it is the left that is now leading the call for

If the south had its own nuclear bomb, "we would no longer be the Korean shrimp among the whales of Japan, China and Russia"

limited to students. "The US military and CIA are causing this crisis because they need a new enemy to replace the Soviet Union and thus maintain their huge budgets. That enemy is North Korea," says a South Korean businessman.

Public distrust is even greater concerning Japan, Korea's traditional foe. One sign of widespread suspicion toward Japan is the plot of South Korea's current best-selling novel, a thriller called The Rose Of Sharon Has Blossomed, the title referring to Korea's national flower.

It is the late 1990s and Japan has launched a limited military attack against South Korea as a result of a dispute between the two countries over raw materials from Russia.

South Korea suddenly reveals that it has been secretly co-operating with North Korea on a nuclear bomb. The two Koreas explode the device on a deserted island near Tokyo as a warning and Japan surrenders. Korea has obtained just revenge for Japan's harsh colonial rule of the Korean peninsula in the early 20th century.

The popularity of the novel suggests that one unexpected South Korea to acquire nuclear capability to counter what is

perceived to be a potential Japanese atomic threat. There is concern in South Korea about Japan's growing stockpile of plutonium, the key ingredient in manufacturing a nuclear weapon. Japan is also building a plutonium processing plant and recently began operating an experimental fast breeder reactor that can produce additional plutonium.

North Korea has tried to exploit the south's fears by suggesting that its suspected nuclear programme is meant to contain Japan, which it accuses of racing "headlong toward nuclear armament".

Moderate South Korean politicians are also beginning to argue that their country should acquire the potential capability to enter the nuclear club in response to possible atomic threats from either

North Korea or Japan.
Mr Park Chan-jong, an opposition MP who is one of South Korea's most popular politicians, recently proposed that the country should acquire enrichment and reprocessing facilities that could extract plutonium from the nuclear waste generated by its 20 current and

The reprocessing facilities would enable South Korea to obtain plutonium for possible nuclear weapons in the event of an national emergency.

Although Mr Park supports strict international inspection procedures for the South Korean reprocessing facilities. their existence "would serve as a check against North Korean tactics.
"We can talk on equal terms
which have

with other nations which have similar nuclear facilities," he said. "Though Japan is exemplary in terms of its nuclear transparency, no one can deny its potential for nuclear weapons capability." South Korean nuclear indus-

try officials favour reprocess ing facilities on practical grounds since the country is having difficulty finding sites to store nuclear waste.

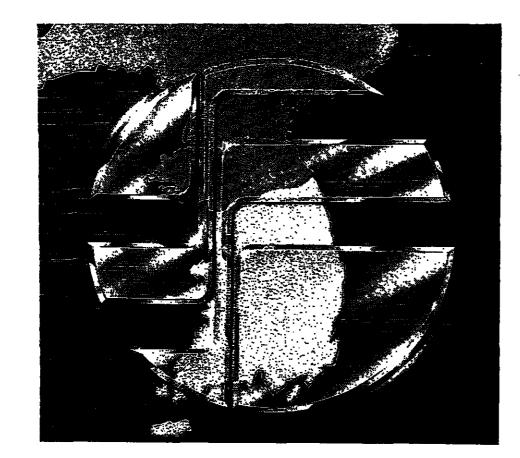
But one obstacle is that the US has barred South Korea from reprocessing spent nuclear fuel since the 1970s as part of its policy of stopping Seoul from developing nuclear

"South Korean nuclear and missile sovereignty should be restored," says Mr Park. "Our sovereign rights over the peaceful use of nuclear energy and missile devolopment have been unjustifiably suppressed by the US. Consequently, this nation now has no alternative but to depend on the US for its security whenever threatened by the North Korean strategic capability."

The government has strongly condemned any suggestion that it is considering building nuclear reprocessing facilities, explaining it would increase tensions in the region. It would also violate the 1991 North-South Korean denuclearisation treaty, which hans plutonium-separation facilities.

The proposal to acquire reprocessing capabilities is an "irresponsible idea being pro-moted by the opposition," says one aide to President Kim Young-sam.

But that may not be true much longer if the government decides to nullify the inter-Korean denuclearisation treaty because of North Korea's construction of a suspected nuclear reprocessing facility and its refusal to allow international nuclear inspections.



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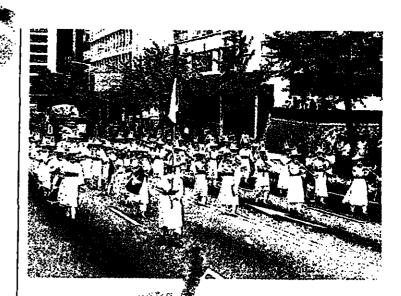
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outh Korea is xenopho-

propagated by the media and practised by bureaucrats and

course, individual exceptions.

bic. Suspicion of foreigners and foreign goods is instilled at primary schools,

So close – and yet so far apart

But South Korea is probably citations of merit awarded durone of the most renophobic ing the conflict which granted countries in the world. a stipend to Koreans who The cause of this extraordibeheaded more than one Japanary collective dislike of things and people foreign is not hard nese soldier. On view is a replica of one of the "turtle ships" to fathom. Korea has been that Admiral Yi Sun-Shin used invaded, ravaged, and economically exploited by foreign powto destroy the Japanese fleet. ers throughout its history. And in case the message has not sunk in during the visit, Forces from the country's three powerful neighbours, the children can buy comic books retelling the sagas of Japan, China and Russia, have Korean heroes and heroines all battled over the country, while even before the Korean fighting against the Japanese. Admittedly, the museum War, troops from the US,

France and the UK each made does offer a few details of other foreign incursions. The Manincursions of various gravity. churian invasion of the early Although Korea has endured 17th century, which was probaonslaughts from all directions, bly as destructive as the earlier South Korea's xenophobia is Japanese attack, is given a littargeted at one country in par-ticular - Japan. A visit to the tle space. One of the hundreds of monuments erected in the Independence Hall of Korea, 1870s by Regent Hungsun Taenear Chonan, a shrine to won-gun after the French and nationalism visited daily by thousands of children, explains US landings is also on show. It reads: "Western barbarians The most popular exhibit invade our land. If we do not fight, we must then appease them. To urge appeasement is to betray the nation."

in the Japanese Aggression Hall – is a waxwork display illustrating Japanese soldiers during the occupation between 1910 and 1945. They are shown in the process of torturing Korean women, and burying Korean men up to their necks before beheading them.

The hall explains to the children how the enmity between the two countries dates back to the first Japanese invasion of 1592 when Shogun Toyotomi Hideyoshi's forces ransacked the country. They can read

The growing number of

new Korean cars appear-

ing in western cities

from London to Los Angeles is

a sight that enrages European

While western carmakers

worry that South Korea may

single day in the country. In

contrast, Korea exported a

record 639,000 vehicles last

year, with one third being

shipped to western Europe and

Korea's restrictions against

car imports are cited as one

has used trade barriers to fos-

ter the growth of its main industries by protecting them

against foreign competition.

The complete domination of

the domestic market by

Korea's big three carmakers -

Hyundai, Kia and Daewoo -

has helped transform the

country into the world's sixth

Korean car manufacturers

are now launching an aggres-

sive export offensive in Europe

and the US from their secure

Hyundai Motors, South

Korea's largest car manufac-

turer and biggest vehicle

largest vehicle producer.

and US motor companies.

anese. The third, the Choemuson-Ham, was named after the 14th century admiral who destroyed about 500 Japanese pirate ships using gunpowder and guns. Fourth was the Park-Wi-ham, after the admiral who attacked Tsushima Island in Japan and crushed 300 Japanese vessels in 1389. Even

icit with eriorates
\$bn
3.99
5.93
8.76
7.86
8.45
of Finance

South Korea's armaments programme, the Yulgok project, is named after a 16th century court adviser whose warnings about the possibility of a Japa-

But the main emphasis of nese invasion were ignored. The Japanese Aggression Hall focuses not only on the atrocities during the colonial period, but also on the cultural imperialism imposed by Japan. In the later stages of its colonial occupation, Japan attempted to force complete union by obliging Koreans to adopt Japanese style names and enforcing use of Japanese in state schools. Inability to speak Japanese meant Korea were denied ration cards. The Japanese also tried to stop the Koreans wearing their traditional white clothes. Pictures in the hall also show Koreans being forced to worship at Shinto shrines.

Few nations continue to poke at the scres of the second world war with as much feryour as Korea. This compares with a Japan, where many continue to deny Japanese blame for the outbreak of hostilities during the Manchurian incident in the 1930s and refuse to admit that the Japanese army committed atrocities during the subsequent war.

Earlier this year, Mr Shigeto Nagano was forced to resign as Japan's justice minister just 10 days after taking office. The reason was that he had voiced the view, commonly-held among older Japanese, that the massacre of 150,000 people in the former Chinese capital of Nanking in 1937 never happened. He also claimed that the occupation of China had not en an act of aggression.

Many Japanese also still refuse to admit the role of the Japanese imperial army in setting up brothels during the Pacific War using other Asian nationals, including Koreans, known as comfort women. The Japanese government only last year acknowledged and apologised for coercing such women.

At least 100,000 of them were

As for Japanese attitudes to the colonial period, diplomats in Tokyo privately regret that Koreans do not recognise the beneficial side of colonialism. During 37 years of occupation. Korea's economy was transformed, they say. Feudalism was abolished, the political and judicial systems updated, the economy advanced from an agrarian to a semi-industrial state. Agricultural production increased, railways were built and mining and forestry operations vastly expanded. Such patronising attitudes

infuriate the Koreans. Given the history of Korea eral relations between the

are understandably not as good as they might be. However, both governments are trying to create a rapprochement between the countries. ending centuries of enmity. The Koreans want to reduce their massive and worsening \$8.45bn trade deficit with one of their most important trading partners by attracting Japa-nese technology and investment, particularly in the realm of automotive components and machine tool technology. The Japanese, for their part, view the possible nuclear build-up in North Korea as a direct

"Korean car companies at

their current stage of develop-

ment cannot compete against

the Japanese," says Mr Kim

Moo, a vice president at Sam-

sung Heavy Industries, which

is planning to enter the pas-

For a start, Japanese cars

have a quality advantage over

their Korean competitors.

They might even be price-com-

petitive despite the high yen due to better productivity in

Jananese car factories and low

The government is consider-

measure that could disrupt Ssangyong into the passe

Korea's ambitious programme car industry in 1996, followed

ing dropping the import ban

transport costs from Japan.

senger car industry.

threat to their security, and so are anxious to support Seoul. However, to attract addi-

tional investment and generate more cordial relations with Japan will require a massive change in attitudes among Koreans, who will have to exorcise the Japanese ghost from their national psyche. It will also need a complete redirection of Korean nationalism. Admittedly, the Korean attitude to Japan is ambivalent. There is the fascination

of the Japanese economic model. Protectionism, large conglomerates and statedirected investment have all been borrowed from Japan in an effort to emulate that

To generate more cordial relations with Japan, the Koreans will have to exorcise the Japanese ghost from their national psyche

> country's economic miracle. Similarly, urban Korean youths are obsessed by Japanese culture. Women openly look at banned Japanese fashion magazines, although many cannot understand Japanese Adolescent boys read Japanese comics and listen to Japanese music. The ambivalence of Korean youths is shown in the results of a recent survey which recorded that the country they most admire is Japan. But they also view Japan as potentially the most danger-

to become one of the world's

five largest carmakers.
In spite of trade protection,

Korean car companies suffer

from low prefitability. Hyun-

dai and Kia reported 1993

earnings of Won58bn and

Won18hn respectively, while

Daewoo lost Won69bn.

Although all had improved

earnings performance last

year, analysts believe profits

could have been much higher

given the 20 per cent rise in

total sales. Increased market-

ing costs and heavy debt bur-

Connetition in the domestic

market is already expected to

lens have cut into profits.

Any rapprochement with Japan is likely also to require a reassessment of Korea's own role during the Pacific war. Although the Independence Hall of Korea stresses the horrific treatment by the Japanese of Korean "comfort women" there is no mention of the tens of thousands of Koreans who fought for the Japanese during the Pacific War, many of them volunteers. The behaviour of Korean prison guards, many of whom had a worse reputation for cruelty among Allied pris-

nese, is also glossed over. Nor does the museum explain that Korean collaboration reached the highest echelons of

oners of war than the Japa-

subsequent governments. former President Park

Chung-Hee saw active service in the Japanese Imperial Army in China during the final stages of the conflict. Many members of the government after the 1961 coup also had Japanese military experience. How successful are the two

governments likely to be in their efforts to reduce animosity? Certainly, the countries have a cultural affinity. The Koreans are proud that the Chinese influence, so pervasive in Japanese life, was transmitted through Korea. They share Confucianism, both support a

similar form of capitalism, and they are also among the few democratic governments in Asia Economically, they could form a powerful trading block

But although they may be physically close, the comprises remain mentally apart. The long-term relationship will depend on how Korea views its strategic interests in a postunification future. Without a threat from the north, Korea will be bereft of an external threat. Is Korea sufficiently mature to feel comfortable without an enemy?

South Korean policy makers are unsure whether Koree and Japan, the region's two economic powerhouses, are set on an inevitable collision course, leading to an arms race that would shatter the strategic balance in north-east Asia. The ambition of the Japanese self defence forces to acquire aircraft carriers is viewed with alarm by the Koreans who believe such vessels can in no way be construed as defensive

The alternative policy. viewed as desirable by some bureaucrats in the Blue House, the president's residence, is the creation of huge trading bloc between Japan, Korea and Taiwan, which would offer a combined market almost as large as the US.

If they are to be successful in healing this bruised relationship, the Japanese must become more sensitive to Korean concerns. The Koreans, for their part, must develop a more mature form of nationalism, based less on a xenophobic past and more on the needs of the future. The alternative is an arms race that will serve neither countries' interests.

trated about entering Korea,

can at least take comfort from

the fact that their Korean

rivals are having similar prob-

lems in breaking open the Chi-

nese market.

John Burton looks at the secure home base of the country's car manufacturers

Trade barriers foster overseas growth

repeat the success of Japan in sing a serious challenge in presence in the US and their home markets, they are Europe, which accounts for 63 virtually shut out of Korea. per cent of the company's which is the second biggest overseas sales. Its marketing car market in Asia after strength reflects Hyundai's status as the only Korean car Korea last year imported company that has been able to sell vehicles under its own only 1,984 passenger cars, which is almost the same as badge abroad through an indethe number of cars sold in a dent dealer network.

the museum is directed against

the Japanese. Such sentiment

is propagated throughout

South Korea. Take Korea's sub-

marine construction pro-

gramme. The first vessel was

called Changbogo-Ham, after

the 1st century Korean admiral

who fought the Japanese. The

second was the Lee Chun-ham,

named after another admiral

who struggled against the Jan-

Kia Motors and Daewoo

They are launching an export offensive from a secure home market

third largest car companies, have also been shipping vehicles to the industrialised world by supplying them on an original equipment manufacturing (OEM) basis to their respective partners, Ford and General Motors.

They are now starting to establish an independent presence in Europe and the US. Kla started marketing in western Europe last autumn and recently announced that it would start producing its popular Sportage four-wheel sports utility vehicle in Germany early next year in a joint venture with Karmann, an automotive engineering group. Kia also plans to expand its US distribution network to 330 dealers by 1996. Daewoo will enter western

Europe next year and the US in 1996 following the recent collapse of its joint venture with GM, which had imposed export restrictions on the Korean motor company.

The prospect of increased Korean vehicle exports is provoking European and US car companies to demand that Korea open its market to foreign competition or face retali-

European motor companies are calling on the EU to revoke the generalised system of preferences (GSP) that lowers tariffs on Korean cars. The US is asking that Korea

cut its import tariff on passenger cars from 10 per cent to 2.5 per cent and revise vehicle taxes that discriminate against foreign models. Restrictions on the number of distribution outlets available to importers and a complex certification system are regarded as the main non-tariff barriers to foreign cars. Korea has already made a

few concessions on the issue. The government says it has abandoned tax audits of forthat importers claim was meant to discourage their purchase as part of an official crackdown on conspicuous

Seoul is considering some of the other demands made by Washington. US officials expect that the luxury tax on executive cars will be cut and limits on TV advertising will

The promise of lower barriers is already prompting more western car manufacturers to open showrooms in Seoul, But most analysts believe that the increased presence of Eurom and US cars will no ously threaten Korean car companies. "European carmakers will only have a minisays Mr Gilles Anouil, head of

the EU office in Secul. The American Chamber of Commerce in Korea estimates that if car imports increase from their current market share of 0.14 per cent to 4.9 per cent, the same level as in Japan, it would represent 70,000 vehicles with annual sales of \$1hn.

A greater potential threat to the Korean motor industry would be opening the marke to Japanese car imports, which possibly by Samsung a year later. Although Korea remains one of the world's fastest growing vehicle markets, there are doubts whether a nation of 42m can support five

Growing pressure in the home market is the main cause for the Korean motor industry's rapid expansion overseas. Besides western Europe and the US, Korea is focusing on China as a new market. Car ownership in

The focus is on China, where car ownership may triple in the next decade

China is expected to triple to 3m in the next decade. "Korean vehicle makers view China as the source of their future salvation," says Mr Brian

In what one Seonl-based western motor analyst calls
"the height of audacity given
Korea's own record," Seoul recently asked Beijing to drop barriers against Korean car

imports. Korea is also seeking to establish car factories in China as a means to pencirate the market. But Beijing is demanding that the Koreans establish joint venture automotive component plants as a first step, while postponing

approval for the car factories. Some Korean car companies are resisting the request, believing that the supply of components could give the Chinese the technical capabilmotor industry that might eventually challenge Korea.

companies generally have to

pay high interest rates on capi-

tal raised at home because of

the country's antiquated and

inefficient financial system.

Companies are also restricted

by the government from rais-

ing large amounts of cheaper

The opening of financial services will help the competi-

tiveness of industry because it will promote increased effi-

ciency in the domestic financial sector and lead to lower

Lower capital costs are cru-

cial for Samsung as it under-

takes a restructuring of its

operations. Samsung plans to expand its high-tech activities,

including costly research on

capital costs." says Mr Lim

funds abroad.

The impact of Gatt on a key industrial group

Samsung in the global village

Korea, provoking a clash between tradition and moder-

Farmers demonstrate in the streets of Seoul and other cities to protest at the opening of the rice market, which they warn

could destroy the agriculture industry and with it the source of the country's rich culture. In contrast, the Samsung industrial group tells its workers in a corporate video that "if we fail to open our door to foreigners, both Korea and Samsung will perish".

Parliamentary approval of the new Gatt agreement, which is expected this summer at the earliest, would represent the most significant sign yet of the government's commitment to accept a more open economy.

If farmers are the biggest losers from the Gatt treaty, Korea's big conglomerates, such as Samsung, believe they will be the main beneficiaries because the accord promises increased business.

"Industrial groups such as Samsung are the best-prepared sector of the economy to take advantage of the Uruguay round because we have been exposed to foreign competition for 30 years, while the service and agricultural sectors are vulnerable because they have been protected," says Mr Lim Dong-sung, president of the Samsung Economic Research Institute.

One obvious benefit is that exports of Korean manufactured goods will increase due to the reduction of tariffs. Samsung is the world's leading producer of semiconductor memory chips and Korea's largest consumer electronics company. Its other main businesses include ships, machinery and petrochemicals.

Although Samsung, the country's second largest con-glomerate, is expected to face stiffer competition at home due to increased imports, particularly in the petrochemical and machinery sectors, it believes that growing exports will outweigh the negative effect of lower Korean tariffs.

Samsung has also recently reduced its operations in textiles and food processing, two

The Uruguay Round of Gatt other sectors that could suffer has sharply divided South under increased imports from China and south-east Asia as tariff barriers are dismantled.

Nonetheless, Mr Lee Kunhee, the Samsung chairman, remains deeply concerned that the group, which his father founded in 1938, remains psy-chologically ill-prepared to

comprehend we are in these rapidly changing and com-

Mr Lee wrote in a group 2 pamphlet that has become mandatory reading for its ading for its agreement is nployees. 1884 96 88 2000 that it will we are still some symbols become agreement is place increased caught up in

satisfied with that notion such as electronics and cars. because it has no meaning in this global village," he adds. Mr Lee last year introduced management reforms that emphasise individual initiative

in a group that was known for its rigid hierarchical structure. The reforms were widely publicised in Korea after Presi- tor of Samsung Electronics.

dent Kim Young-sam recom-

mended that government offi-

cials should study Samsung's

But there has been growing

resistance among employees to

the changes, which are consid-

ered "too radical", according to

one Samsung executive. An

internal survey revealed that a

majority of workers disliked

Samsung's new working hours

of 7am to 4pm, which were

introduced to improve effi-

new management practices.

at the expense of quantity, even if means the loss of market share. Officials at Samsung Elec-

tronics, for example, speak of making the concern one of the world's five biggest electronics compete in the global market. companies by 2000, up from its

Despite the
enormous Monte being companies by 2000, up from its
current ninth
place ranking,
changes in the

the need for

improvements product

The "quality"

issue has taken

importance for

quality.

commitment to growth and Mr

Lee's goal of promoting quality

world. Sam-sung has yet to Million substribers acknowledge

One benefit from the Gatt agreement is

that it could force the government to

accelerate its financial liberalisation

programme, leading to lower capital costs

Moreover, the group seems finance its corporate activities

the notion that Samsung is the Korea to end its import ban on best in Korea. We cannot be important Japanese products.

"We are still lagging behind the Japanese in terms of quality and productivity, although we are confident we can close the gap before 1997, when the import ban is expected to be eased," says Mr Moon Byungdae, a senior managing direc-

The entry of Japanese cars

into the domestic market could

also hurt Samsung's plans to

begin passenger car production in late 1997, although Samsung

believes that its recent agree-

ment to buy advanced technol-

ogy from Nissan of Japan will

make it competitive.
One benefit from the Gatt

agreement is that it could force

the government to accelerate

its financial liberalisation pro-

gramme, which would improve

opportunities for Samsung to

developing a next generation of 256-megabit memory chips. It Samsung because one will also spend at least \$6bn on its car project by 2000.

But financial liberalisation of the Gatt agreement is will also have a negative impact, at least temporarily, on pressure on the financial service business that Samsung is developing. It already owns leading insurance and credit card compa-nies and bought a securities firm in 1992

"These financial companies will suffer a bit initially because the financial sector in general is vulnerable to foreign competition, but in the long term we don't expect our position will be harmed," says Mr

> Indeed, analysts believe that Samsung and other conglomerates that operate financial services will benefit in the long term from financial liberalisation. The government is expected to break down barriers among various financial sectors and allow the creation of comprehensive Korean financial houses as one means to improve their competitiveness against foreign rivals.

"Financial liberalisation will provide an opportunity for Samsung and other conglomerates to edge out weaker competitors and expand their financial services, outside of banking, as the financial industry undergoes consolida-tion," says Mr John Wadle, an analyst for BZW in Seoul.

SAMSUNG CORPORATION

Notice to the holders of Samsung Corporation Global Depositary Shares.

NOTICE IS HEREBY GIVEN TO THE HOLDERS OF THE ABOVE MENTIONED GDSs THAT: the Board of Directors Meeting of the Company, held on April 20, 1994. resolved to issue NEW SHARES under the following terms and conditions.

- 1. Form of shares: common shares in registered form.
- Number of shares to be issued: 1,976,000 shares of common stock.
- 3. Issue Price: 26,400 Korean Won per share, tentatively.
- 4. Allocation of New Shares:
- 1) 20% of Rights (ssue shall be allocated for subscription by employees of the company according to the Law on Fostering the Capital Market in Korca.
- 2) Remaining 80% of Rights Issue shall be allocated for subscription by shareholders registered on June 1, 1994 in the proportion of 0.09338319 share per one share (2 GDSs).

Both the holders of common shares and the holders of non voting preferred shares are entitled to subscribe for new common shares in proportion to their respective

- 5. Record date: June 1, 1994.
- Subscription period: July 11, 1994 July 12, 1994.
- 7. Payment date: July 14, 1994.
- 8. Others
- 1) Fraction of shares and unsubscribed shares shall be disposed of according to the
- Resolution of the Board of Directors Meeting, 2) The actual issue price will be determined at a later date pursuant to the regulations of the Korean Securities and Exchange Commission. Such price will in no event be
- greater than the tentative issue price mentioned above. 3) GDS holders should contact the Depositary (Citibank, N.A.) for further



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■ he beautiful volcanic island province of Cheju provides a good example of the challenges that South Korea is confronting in opening its domestic market to foreign competition.

Its half-million citizens are debating whether the benefits offered by wider international access will outweigh the disruptive changes caused by market liberalisation.

Cheju, which lies 100 kilometres south of the Korean mainland, will be one of regions most affected by the relaxation of restrictions on agricultural imports under the recent Uruguay round of Gatt.

The threatened decline of the agricultural industry, which has supported the island for centuries, is accelerating a shift toward international tourism as the province's new economic mainstay.

This is also forcing a change in attitudes When Korea was a monarchy,

political exiles were banished to the island

on the island, which has traditionally displayed a fierce independence to the outside world.

Cheiu's tragic history has been marked by frequent revolts against the central government in Seoul. Its farmers were mostly freeholders, rather than tenants as in the rest of Korea, which contributed to a resentment against the heavy hand of

The rebellious nature of the island was reinforced by its role as a place of banishment for political exiles until the expira-

his season's T-shirts in

Seoul feature the cute kids of the Visit Korea

Year logo, banal grins dis-

torted in fear and chubby legs

in flight as a Scud missile

approaches from the armpit zone. The legend runs: "You'd

better visit Korea in

1994 ... because it might not

North Korea's nuclear ambi-

tions have undoubtedly made

something of a mockery of the

republic's drive to woo tour-

ists in 1994; but hoteliers and

other industry figures complain the drive has been as ill-

conceived as it has been ill-

timed. Marketing has been

thin and poorly targeted, incentive schemes have gone

unflagged. The tourist office in

Seoul shows an exotic promot-

be here in 1995".

John Burton looks at the impact that market liberalisation may have on Cheju

Island's charm is under threat

tion of the Korean monarchy in 1910. The island suffered a mini-civil war in 1948-49, which was a harbinger of the Korean War of the 1950-53, when the Seoul government adopted a tough policy in reasserting its authority over the island following Korea's liberation from Japanese

An estimated 30,000 persons, about 12 per cent of the island's population at the time, were killed during the insurrection.

The island's bloody history has created ambivalent attitudes toward the vast changes being imposed on Cheju from the

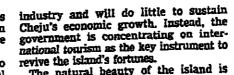
The most significant development will be the decline of agriculture, which still accounts for 36 per cent of the island's

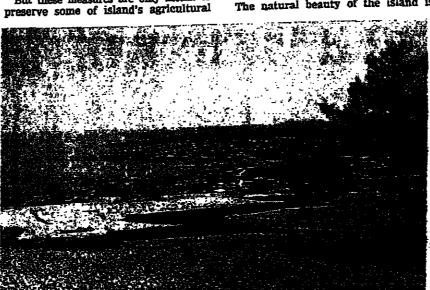
Chem's agricultural industry is largely based on tangerines, which are grown on small, inefficient and heavily state-subsidised farms on the southern half of the island The full opening of the Korean market to tangerine imports by 2004 is likely to lead to a consolidation of local

The government, however, hopes to take advantage of the lower trade barriers promised by the Uruguay round to increase tangerine and other agricultural exports to Japan, which are expected to triple within the next five years to \$100m.

Cheju is seeking to create a sales network for agricultural products in Japan and establish direct shipping routes there for the quick delivery of produce.

But these measures are only meant to





Ireland and the coast of northern Italy. The push for tourism began in the 1970s. The natural beauty of the island is when Cheju was developed as a honeymoon resort for Korean couples. It enjoyed

a captive market since overseas travelling by Koroans was severely restricted by the government until the late 1960s. Tourism in the past few years has become the island's biggest industry, accounting for 40 per cent of the economy. But the recent easing of travel restrictions has meant that Korean newly-weds are now visiting Guam, Salpan and Hawaii instead. Cheju has switched its tourism strategy to attracting

well-suited to attract visitors. Its

landscape bears more similarities to

Europe than to Asia, combining the

volcanoes of Iceland with the moors of

lapan and Taiwan. A total of Wen?, \$90bn will be invested in Cheju by 2901 to build a series of resort complexes in an attempt to increase tourism by 50 per cent to 5.8m visi annually. The emphasis will no longer be on mass tourism, but on attracting

more foreign visitors, particularly from

prosperous individual travellers.

"We would like to build more hotels sports facilities, aquariums, amusement parks, yacht marinas and casinoes in the hope of making Cheju the Las Vegas of Asia," says Mr Chi Youn-tai, president of

the Korean National Tourism Corporation.

The KNTC has already established one resort complex at Changman Beach and will participate in the construction of two others. The Hanfin conglomerate, which owns the country's main carrier Korean

FINANCIAL TIMES THURSDAY JUNE 23 1994

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Air is also planning to build a resort facility. The government estimates that increased tourism by high-spending visitors will quintuple the size of the island's economy to Won7,800bn by 2001.

But the islanders have expressed resentment at the development plans. "Cheiu people are very independentminded and don't like to be interfered with by outsiders," admits Mr Chi. "These people sometimes feel that the outsiders are reaping all the advantages of the development and they are left with little." But the conclusion of the Uruguay Round and its impact on the island's

Cheju enjoyed a captive market since the government severely restricted oversess travelling

agricultural sector are changing people's attitudes. "They now realise that they have a beautiful place for tourism, which will mean their survival. They are beginning to understand that tourism is very important. Mr Chi such and Public opposition to the building of a second golf course on Cheju, for example, is receding. But the threat rechains that extensive decolorance will made the standard are considered. development will spoil the island's con-siderable natural charm and destroy the appeal that first situacted visitors to Cheju.

Louise Lucas reports on efforts to boost tourism

Overseas publicity criticised

delights of Korea. That could well be the winning stratagem in KNTC's armoury. KNTC, which has masterminded the Visit Korea Year in commemoration of Seoul's sixth centennial, claims success: tourist arrivals in the

50 Miss Korea contestants will visit the US to entice Americans to sample the

delights of Korea

agents and school teachers,

poster ads on buses from Lon-

don to Hong Kong, and -intriguingly - through send-

ing some 50 Miss Korea con-

testants to entice Americans

ional video containing war first five months of the year clips among shots of cherry are up 18 per cent year-on-year blossom and snow-clad mounand it expect 4m visitors for the whole of 1994, a 20 per The Korean National Tourcent increase on last year's ism Corporation will spend 3.3m but still below the 4.5m some \$8m on the campaign, forecast in its own promotpromoting Korea as a tourist ional slide presentation. The destination through TV adveraverage visitor spends four tisements on Star TV and days and five nights, during CNN. publicity tours for travel which he will spend \$1,100.

in New York. Los Angeles and Washington to sample the Ambassador Chi Young-tai, KNTC's president, says the figures are encouraging and blames any shortfall in visitors on the nuclear issue. Sometimes relations are stormy between North and South Korea and unfortunately this is a very stormy

> will pass over. "If you look around it's business as usual - the stock market is rising and traffic jams are as bad as ever - so it's only the news media that see things differently.

period, but I'm sure the cloud

KNTC's efforts in pushing tourism are impressive: the tourist office, complete with theatre and raised map models, must rate as one of the most comprehensive and userfriendly in the world and staff display CD-Rom memories and impeccable English. The tronble is that they are to an

verted rather than broadcasting the message further afield.

Cheiu: the island depends on tourism and tennerines

That, at any rate, is the lament of the hoteliers. The 1,500-room Lotte, one of Seoul's leading tourist hotels, reports no noticeable improvement in sales this year because of the nuclear scare, the recession in Japan which provides 70 per cent of its customers (although this is offset to some extent by the strength of the yen) and the government's failure to spread the Visit Korea Year message

abroad. According to a hotel executive, "Malaysia had a very good Visit Malaysia Year, but we have not been so successful in promoting sales in Visit Korea Year. That is mainly because the KNTC is in charge of sales promotion. I guess the promotion planning is a little

"They do not have enough

experience in promoting abroad, nor have they made sufficient preparations in time. That - and the fact the hadget is insufficient - is why they have failed," he explains. Ms Seung Eun Chung, sales

manager (Europe) for The Westin Chosun, one of Seoul's 10 de luxe hotels, cites the case of a Canadian travel agent who was unaware of one of the government's key incentives - scrapping the 10 per cent tax which is normally added to room rates for nonresident guests and travel

Having been told, the agent tried to contact the Korean government representatives in Toronto for further information - but drew blanks all round. Many guests staying in the Westin Chosun and bene-

fiting from the 10 per cent reduction were also unaware

of the government's bounty. "My feeling is that the gov-ernment has failed to promote Visit Korea 1994 abroad. They have also failed to activate demand internally," says Ms Much of the push has been

concentrated on Japan, which yields some 45 per cent of Korea's tourists. The tireless KNTC has supported this internally by providing Japanese as well as English booklets and cassettes for taxi drivers, although Ambassador Chi admits to limited success here: They don't realise how important their role is in promoting tourism. Sometimes they are very rude, especially

because of language prob-Broadcasting the need to learn English - "to interna-

tionalise" - has been an important spoke of the tourism campaign, and staff at hotels and shops are wellversed in the (Americanised) niceties, bidding guests have a nice day and sweet dreams ng on the time of day. A limited number of road and subway signs now bear English translations and taxi drivers generally have at least enough English to ascertain if their passengers are Ameri-

Other steps taken to enhance Korea's reputation as

Sometimes taxi drivers are very rude - because of language problems

a tourist destination include streamlining the immigration and customs procedure and government plans to invest funds in improving the courtry's infrastructure. Sports facilities are also being upgraded and developed, as se are an important part of Korea's tourism message. Korea itself has a convincing

message for tourists. Depend ting upon the seeson, it offers aking and mountain biking in national parks; sightsooing round old Buddhist temples and palaces; scubi diving, guif and hunting, charry blossom in springtime and a semi-tropical climate in the southern island of Chejo. It is no longer particularly cheap (except, perhaps, to those wielding yen), a problem ENTC has paid lip service to by producing a book of money off cou-

This year Korea will bost the capital city, in addition to sports and letsure events -such as the underwater photographic championship and international windsurfing contest - across the country.

For the big hotels, the real money spinner is business travellers who are starting to return after a two-year recession-induced stack period. This year the Westin Chosun expects to fill some 80 per cent of its rooms over the year. The average room rate is as much as W110,000, except for the five months' low season. --

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